MILFORD

Milford Unit Trust PIE Funds Monthly Review
April 2018

Market and Economic Review

President Trump and Facebook's privacy issues weighed heavily on share markets at the end of the March quarter. The US S&P 500 Total Return Index was down 2.5% for the month, the tech heavy Nasdaq Composite Total Return Index was off 2.8%, the ASX 200 Accumulation Index declined 3.8% while the NZX 50 Gross Index eased 0.7%.

The largest Milford equity funds had the following returns for the month; the Active Growth Fund +0.1%, Diversified Income +0.2%, Trans-Tasman Equity Fund -2.0%, Dynamic Fund -1.5%, Global Equity Fund -0.6%, Conservative Fund slightly negative and the new Australian Absolute Growth Fund -0.9%.

The Nasdaq Composite was the best performer on a twelve month basis with a total return of 20.9%. The NZX 50 had a return of 15.6%, the S&P 500 Index appreciated 14.0% while the ASX 200 Accumulation Index was up only 2.5%. The ASX's disappointing performance partly reflects the relatively unstable political environment across the Tasman. Political uncertainty in the US, with the upcoming November mid-term elections, is also contributing to increased volatility.

Economic activity continues to pick up throughout most of the world, particularly North America. US unemployment has declined to 4.1%, core inflation remains at only 1.6% and annual rolling GDP growth of 3.1% is predicted for the next quarter. US company earnings for the March quarter, which will be released from mid-April onwards, will benefit from this expanded economic activity. Australia is showing signs of an economic recovery although political developments continue to weigh on business and consumer confidence. Meanwhile, most NZ economic data remain at elevated levels.

Trump remains the biggest market risk, his tax cuts had a positive impact on share markets, but his import tariffs and attack on Amazon and other companies remain a concern. The 'Trump Factor' is expected to contribute to market volatility in the months ahead with Milford's portfolio managers monitoring developments on a daily basis. Our objective is to try and identify any 'Trump Factor' developments which could have a long-term negative impact on markets.

Trans-Tasman Bond Fund

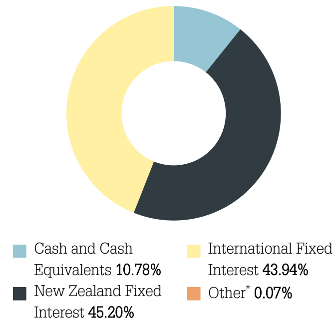
Portfolio Manager: Paul Morris

The Fund returned 0.2% in March; 0.1% less than its benchmark. Longer dated Australasian and global government bond yields fell during the month which was to the Fund's benefit, as interest rate exposure had been increased to bring it into line with benchmark. The Fund's underperformance to its benchmark was attributable to a larger exposure to corporate bonds, which lagged government and local authority bonds.

Globally corporate bonds suffered from weaker share markets, increased volatility and a ramp up in new issuance, after a hiatus during a turbulent February. Australasian corporate bonds outperformed global bonds but still reflected this weakness. During the month, we increased exposure to global bonds issued by Australasian companies to benefit from more attractive yields. We were also active in new bond issues from National Australia Bank, Westpac NZ, HSBC NZ, Asciano Finance (Australian logistics) and Investore Property.

We expect moderate near-term returns should be underpinned by a favourable NZ new issue supply/demand situation, expectations for unchanged Australasian monetary policy through 2018 and a reasonable economic backdrop. We remain wary of slowly rising interest rates and will look to reduce interest rate exposure when appropriate.

Actual investment mix[1]



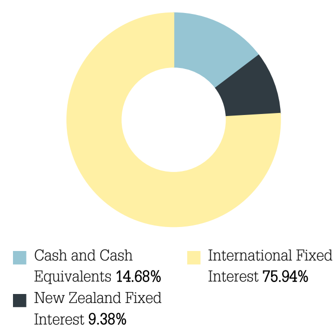
Global Bond Fund

Portfolio Manager: Paul Morris

Relative to its benchmark the Fund will generally hold more corporate bonds, as we believe this will deliver long term outperformance. It also currently has less interest rate exposure to protect against rising interest rates. These were both relative headwinds in March. Longer dated government bond yields fell, pushing prices higher, and corporate bonds also underperformed government bonds. This resulted in the Fund being down 0.2% for the month.

Given increased uncertainty and elevated valuations, the Fund remained defensively positioned, holding more cash and reduced credit exposure. Unfortunately, that provided limited protection in March as both investment grade and high yield corporate bonds were weaker than government bonds. This was in part due to higher market volatility and lower equity markets but was exacerbated by increased new bond issuance and US companies selling their offshore bonds to repatriate cash, due to tax changes. The weakness was especially evident in bonds of financial companies where the Fund has a considerable weighting.

Looking forward, valuations are now more appropriate, and the medium-term return outlook should improve if bond and share market volatility stabilises. We remain cautiously optimistic but continue to limit interest rate exposure, due to likely reduced monetary policy support.



*Other may include interest rate derivatives and currency contracts.

Conservative Fund

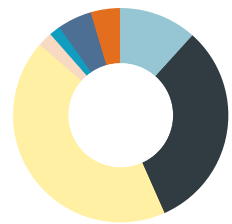
Portfolio Manager: Paul Morris

The Fund was close to unchanged in March but returned 6.2% over the year. During the month, the Fund benefited from modest contributions from its Australasian corporate bonds and New Zealand shares with Chorus' share price rising over 10% being a notable performer. These were offset by weakness in global corporate bond holdings and both Australian and global shares.

Market volatility was reduced in March from the extremes seen in February. Nevertheless, volatility remains elevated and markets now face escalating global trade tensions and headwinds for technology shares, post Facebook's data security breach. This is in addition to the ongoing expectation for less supportive monetary policy, evidenced by the US raising interest rates in March. Cognisant of the Fund's conservative risk profile, we have remained cautiously positioned with a higher allocation to cash and fixed income.

Higher yields on corporate bonds and more attractive risk adjusted yields on some Australasian income shares means we have continued to cautiously allocate away from cash. This included participating in recent new bond issues from Investore Property and Westpac. We believe near term returns should improve but will be lower than last year.

Actual investment mix[1]

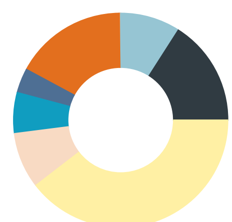


Cash and Cash Equivalents 11.70%
New Zealand Fixed Interest 31.70%
International Fixed Interest 42.93%
New Zealand Equities 2.22%
Australian Equities 1.68%
International Equities 5.17%
Listed Property 4.59%

Diversified Income Fund

Portfolio Manager: David Lewis

The Fund delivered a modest return (+0.2%) in March giving a one-year return of 6.9%. Performance was mixed across key asset classes as modest gains in Australasian bonds and NZ shares offset declines in global bonds and Australian shares. These moves demonstrate the higher volatility being seen across global markets in 2018, following an unusually long period of calm. In turn, this volatility partly reflects less supportive monetary policy globally, especially in the US where official interest rates rose again this month. This month saw strong share market performance from Chorus (+10.4%), which was supported by solid fibre internet subscriber growth, Meridian Energy (+5.4%) and Spark (+4.3%). Weaker names included Argosy (-1.6%) and Suncorp (-1.6%). The Fund continued its active strategy with additions to holdings in Spark, Stockland, and Auckland Airport. These companies are now offering attractive valuations following recent declines and we believe the operating outlook for each is supportive. The Fund reduced its share position in Chorus, taking profit following recent strength. On the fixed income side, our strategy remains somewhat cautious. However, yields are improving and this month the Fund participated in several new issues including HSBC and Investore Property.



Cash and Cash Equivalents 9.05%
New Zealand Fixed Interest 15.95%
International Fixed Interest 39.54%
New Zealand Equities 8.44%
Australian Equities 6.18%
International Equities 3.71%
Listed Property 16.90%
Other* 0.23%

*Other may include interest rate derivatives and currency contracts.

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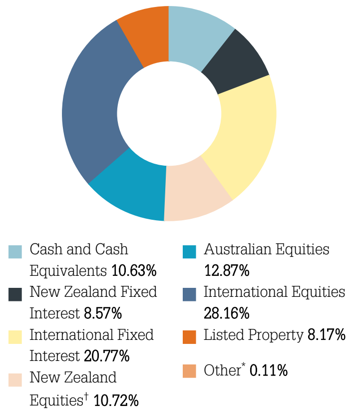
Balanced Fund

Portfolio Manager: Mark Riggall

The Fund returned -0.4% in March, bringing the one-year return to 8.7%. Global share markets continued their recent bout of volatility, driven by increasing fears of trade wars and concerns that US tech companies may face increasing regulation. The protracted volatility spilled over into other asset classes, driving demand for government bonds and weakening corporate bonds. Australian shares were the biggest drag as the Royal Commission weighed on the banks and industrial metal prices underperformed. Global shares outperformed the market due to good stock selection and NZ shares outperformed owing to their defensive nature. Income assets were largely unchanged, providing stability within the Fund.

In terms of outlook, global growth remains robust but is no longer accelerating and inflation is expected to rise but the risk of overheating has moderated slightly. Global markets remain fragile. Inflation is expected to rise but we are vigilant of an acceleration which would potentially cause central banks to raise interest rates at a quicker pace. However, share valuations have improved, sentiment is more negative and combined with the strong economic backdrop we remain invested as we approach US company earnings season. The Fund is currently positioned close to its neutral stance.

Actual investment mix[1]



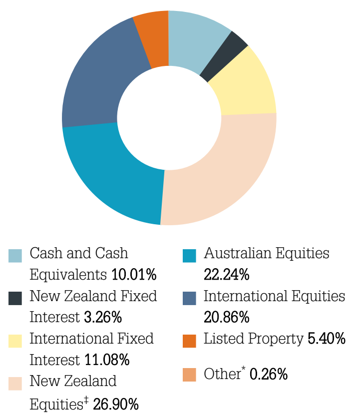
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund returned 0.1% in March which was a good result given negative returns from New Zealand, global and Australian share markets of -0.7%, -2.3% and -3.8% respectively. Global shares were negatively impacted by potential trade wars and a correction in technology shares after a strong run.

The Fund benefited from some of our more defensive company holdings including Chorus (+10.4%) and Meridian (+5.4%). Retirement village operator Summerset also performed well (+9.6%) following on from its good result in February. During the month, we increased our holding in shares and, in particular oil companies, in response to the rising oil price.

Looking forward we believe shares will remain supported by good economic growth, company earnings and low interest rates. However, we expect markets may remain volatile in the short-term given potential rate rises in the US, political uncertainty and in some cases relatively full valuations. The strategy of the Fund is to remain active and take advantage of market volatility to purchase companies which we believe will deliver good returns over the medium-term.



†Includes unlisted equity holdings of 0.25% ‡Includes unlisted equity holdings of 2.44% *Other may include interest rate derivatives and currency contracts.

Australian Absolute Growth Fund

Portfolio Manager: William Curtayne

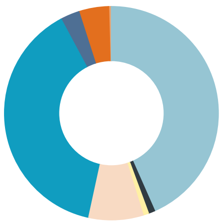
March was another volatile month for equity markets. The S&P / ASX 200 Accumulation Index declined 3.8%, while the Fund declined 0.9%. New tariffs announced by President Trump, and privacy breaches by Facebook, were catalysts for a global equity market sell off.

In Australia, the Royal Commission into the banking industry appears to be more serious than initially expected. This may impact future profitability for the major banks and will certainly weigh on near-term sentiment. Responding to this, we reduced our investments in Westpac and National Australian Bank. Our total exposure to banks at month end is only 2.6%.

During the month, Premier Investments released a strong half year result and rallied 15.7%. Premier is an investment company that owns retail businesses including Peter Alexander, Just Jeans and Jay Jays, but its most valuable business is children's stationery store Smiggle. Smiggle is the main driving force behind Premier's earnings growth as it rolls out new stores in Asia, the UK and Europe.

Our strongest performing group of investments last month were our New Zealand income equities. In a weak month for equity markets, Chorus returned +10.4%, Contact Energy +2.8% and Spark New Zealand +4.3%. These companies still provide an attractive dividend yield relative to interest rates in New Zealand and Australia.

Actual investment mix[1]



- Cash and Cash Equivalents **43.39%**
- Australian Equities **38.78%**
- New Zealand Fixed Interest **0.98%**
- International Equities **2.88%**
- International Fixed Interest **0.84%**
- Listed Property **4.51%**
- New Zealand Equities **8.18%**
- Other* **0.43%**

Global Equity Fund

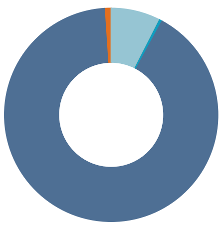
Portfolio Manager: Felix Fok

The Fund fell 0.6% in March. Share markets have been volatile since January as investors weigh the prospects of a trade war and the political backlash on large tech companies. The MSCI World Net Total Return Index (local currency) was down 2.3%, while the NZ dollar was largely flat.

Direct stocks did better than the market. In a role reversal, the top contributor was Reckitt Benckiser (+4.5% in local currency), which recovered some of its prior losses. It was declared they will not proceed with a potential large acquisition and will focus on its existing businesses. Pet play Heska (+16.3%) rallied strongly after reporting earnings. We have been researching the pet theme and spoke with Heska's CEO in January. Negatives included Facebook (-10.4%) and Alphabet (-6.6%), parent company of Google. Both companies have been long-term winners, but their shares came under pressure with increasing scrutiny around user data. We substantially reduced the Facebook holding.

External managers did well in weak markets. GMO (+1.3%), Hawkes Bay – healthcare sector specialist (+1.9%), Wolf Creek – financial sector specialist (+0.3%), and Magellan Infrastructure (+3.6%) all had positive returns.

Overall, the backdrop for shares remains supportive, with rising global economic growth, moderate interest rates, and solid corporate earnings. However, concerns over inflation and protectionism are likely to lead to a bumpier road ahead.



- Cash and Cash Equivalents **7.50%**
- International Equities **91.03%**
- Australian Equities **0.42%**
- Listed Property **1.05%**

*Other may include interest rate derivatives and currency contracts.

Trans-Tasman Equity Fund

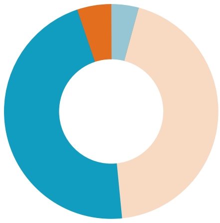
Portfolio Manager: Sam Trethewey & Wayne Gentle

The Fund returned -2.0% in March and has returned 14.6% over the past 12 months. It was another good month compared to the NZX 50 Gross Index which fell 0.7% and the ASX 200 Accumulation Index falling 3.8%. Outside of a few standout performers, the majority of our market struggled, following volatility in offshore markets after Trump indicated he will impose trade tariffs against China.

Stock selection was the driver of positive performance. Key performers included Summerset (+9.6%), Serko (+16.7%) and Graincorp (+6.3%). We avoided or held very little of poor performers such as Fletcher Building (-7.4%). a2 Milk (-6.3%) fell late in the month following the launch of 'Illuma Atwo' infant formula in China by Nestle. We remain confident a2's brand strength will offset new competition and in addition believe it may have a beneficial impact on the market size and credibility of the a2 proposition. Cash was deployed at month end into interest rate sensitive exposures Auckland Airport and Z Energy. Xero was reduced following the announcement that Rod Drury is to step down as CEO.

Looking ahead, we will continue to focus on stock selection and identifying new opportunities for the Fund. Volatility is likely to increase going forward, however we believe the medium-term outlook for our local market is positive.

Actual investment mix[1]



Dynamic Fund

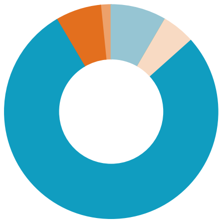
Portfolio Manager: William Curtayne & Michael Higgins

The Fund declined 1.5% in March, ending its 12-month streak of positive returns. The inevitable correction was led by the broader ASX Small Cap Industrials Accumulation Index (100% NZD-hedged) which fell 1.7%, following a market sell off impacting both global and domestic equity markets.

Winners for the month include retailer Premier Investments (+15.7%) which rallied after delivering a strong half year result underpinned by popular brands Smiggle and Peter Alexander. Apparel businesses are not typically companies we favour given the volatility of underlying earnings to external factors. However in our view, Premier offers characteristics we like including brand ownership, product uniqueness, and an internally controlled distribution network.

Other winners include SME accounting software company Xero (+5.3%) and Bingo Industries (+10.4%). Detractors include Corporate Travel Management (-6.9%) which pared back some February outperformance, EML Payments (-18.1%) which disappointingly downgraded FY18 outlook and mortgage broker AFG (-7.1%) which sold off on Royal Commission nervousness.

Our decision to build cash by trimming our winners during reporting season was timely and has left us well placed to take advantage of the current market volatility. We will continue to focus on companies with excellent multi-year growth outlooks and those we consider good value with resilience through the cycle.



*Other may include interest rate derivatives and currency contracts.

Upcoming Distributions	Target	Payment Date
Trans-Tasman Bond Fund	0.75 cents (Quarterly)	20/06/2018
Global Bond Fund	0.75 cents (Quarterly)	20/09/2018
Conservative Fund	0.75 cents (Quarterly)	20/04/2018
Diversified Income Fund	1.6 cents (Quarterly)	23/05/2018
Trans-Tasman Equity Fund	1.5 cents (Biannually)	20/09/2018

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

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Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Trans-Tasman Bond Fund*^	0.24%	4.94%	4.47%	—	5.73%	1.1122	360.3 M
Global Bond Fund*^	-0.18%	4.79%	—	—	5.52%	1.0267	298.2 M
Conservative Fund*	-0.02%	6.17%	—	—	6.78%	1.1075	185.5 M
Diversified Income Fund*	0.16%	6.95%	9.05%	10.97%	11.78%	1.6473	1789.3 M
Balanced Fund	-0.42%	8.74%	7.93%	10.30%	10.16%	2.0970	507.3 M
Active Growth Fund	0.07%	13.75%	10.34%	12.62%	12.95%	3.3756	911.4 M
Australian Absolute Growth Fund	-0.87%	—	—	—	—	.9908	12.6 M
Global Equity Fund	-0.56%	10.10%	5.72%	—	8.15%	1.4670	406.0 M
Trans-Tasman Equity Fund	-2.03%	14.60%	12.30%	11.98%	11.01%	2.5001	316.9 M
Dynamic Fund	-1.50%	18.98%	10.49%	—	13.56%	1.7561	202.2 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance Performance figures are after total Fund charges have been deducted and at 0% PIR. Please note past performance is not a guarantee of future returns. *Performance figures include the reinvestment of the Funds' distribution. Inception dates for the Funds: Active Growth Fund & Trans-Tasman Fund: 1 October 2007, Diversified Income Fund & Balanced Fund: 1 April 2010, Global Fund: 12 April 2013, Dynamic Fund: 1 October 2013, Trans-Tasman Bond Fund: 3 December 2013, Conservative Fund: 1 September 2015,Global Bond Fund: 1 February 2017, Australian Absolute Growth Fund: 1 March 2018.

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)	-0.30%	16.93%	13.96%	14.89%	14.94%
S&P/ASX 200 Accumulation Index (AUD)	-3.77%	2.54%	3.76%	7.66%	7.23%
S&P/ASX 200 Accumulation Index (NZD)	-5.11%	-0.06%	5.26%	4.33%	3.58%
MSCI World Index (local currency)*	-2.31%	9.90%	7.13%	10.69%	9.82%
MSCI World Index (NZD)*	-2.06%	10.07%	9.37%	13.04%	9.52%
S&P/NZX 90-Day Bank Bill Rate	0.15%	1.98%	2.49%	2.75%	2.74%

*With net dividends reinvested

Milford Unit Trust PIE Funds Monthly Review as at 31 March 2018

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

Trans-Tasman Bond Fund	Global Bond Fund	Conservative Fund	Diversified Income Fund	Balanced Fund
ANZ Term Deposit 3.08% 06/18 2.52%	Citigroup 5.95% 2049 1.74%	ASB Bank 5.25% 2026 1.95%	ASB Bank 5.25% 2026 2.43%	Vanguard Intl Select Excl Index Fund 3.65%
NAB Float 2023 2.43%	HSBC Float 2024 1.61%	Investore Property 4.40% 2024 1.93%	Charter Hall Group 2.21%	iShares MSCI EAFE Index Fund 3.61%
ASB Bank 6.65% 2024 2.08%	Microsoft 2.875% 2024 1.61%	Westpac 4.695% 2026 1.80%	Westpac 4.695% 2026 1.88%	Spark New Zealand 1.14%
Westpac 3.795% 2021 2.01%	Sprint Spectrum 4.738% 2025 1.47%	ANZ Bank 5.28% 2049 1.76%	Mirvac Group 1.74%	a2 Milk Company 1.13%
United Energy 3.85% 2024 1.99%	Aviva 3.875% 2044 1.44%	ASB Bank 6.65% 2024 1.54%	Contact Energy 1.65%	Contact Energy 1.12%
Downer Group 5.75% 2018 1.95%	Westpac 4.695% 2026 1.43%	Precinct Properties 4.42% 2024 1.27%	Aventus Retail Property Fund 1.61%	ASB Bank 5.25% 2026 1.09%
ANZ Bank 5.28% 2049 1.93%	Nationwide Bldg Society 2% 2029 1.43%	ANZ Term Deposit 3.08% 06/18 1.24%	Kiwi Property Group 1.44%	Wellington Strategic Euro^ 1.08%
NZLGFA 6% 2021 1.87%	Bank of America 6.10% 2025 1.42%	NAB Float 2023 1.20%	Spark New Zealand 1.42%	Charter Hall Group 0.92%
Investore Property 4.40% 2024 1.86%	JPMorgan 5.15% 2023 1.42%	Genesis 5.7% 2022 1.17%	Argosy Property Trust 1.42%	Antipodes Global Fund^ 0.90%
Suncorp-Metway 3.75% 2019 1.83%	Macquarie Group 3.25% 2022 1.37%	United Energy 3.85% 2024 1.11%	Meridian Energy 1.42%	Wellington Wolf Creek Shares^ 0.87%

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

Active Growth Fund	Australian Absolute Growth Fund	Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
iShares MSCI EAFE Min Vol ETF 3.72%	Sydney Airport 2.11%	Wellington Strategic Euro^ 5.31%	a2 Milk Company 7.27%	Coporate Travel Mgmt 3.83%
Vanguard Intl Select Excl Index Fund 3.70%	Mirvac Group 1.93%	Antipodes Global Fund^ 4.43%	Commonwealth Bank of Australia 3.72%	Bingo Industries 3.08%
Spark New Zealand 2.19%	Eclipx Group 1.89%	Wellington Wolf Creek Shares^ 4.30%	BHP Billiton 3.69%	Xero 2.98%
a2 Milk Company 2.01%	Origin Energy 1.85%	Hawkes Bay Investors^ 4.17%	Westpac Banking Corp 3.34%	Eclipx Group 2.89%
Contact Energy 1.99%	Transurban Group 1.84%	Magellan Infrastructure^ 4.17%	Fisher & Paykel Healthcare 3.27%	MNF Group 2.73%
CYBG 8% 2049 1.58%	Amcor 1.62%	GMO Systematic Global Macro^ 4.17%	National Australia Bank 3.18%	Smartgroup Corp 2.63%
Delegat Group 1.46%	Aveo Group 1.58%	Vontobel Sust. EM Leaders^ 3.34%	Spark New Zealand 3.00%	3P Learning 2.51%
Sydney Airport 1.40%	Contact Energy 1.54%	SPDR Euro Stoxx 50 ETF 3.23%	Auckland Airport 2.73%	Collins Food 2.50%
Tourism Holdings 1.24%	Coporate Travel Mgmt 1.54%	iShares Russell 2000 3.16%	Contact Energy 2.59%	Credit Corp Group 2.43%
JPMorgan 5.15% 2023 1.19%	Aristocrat Leisure 1.49%	Vanguard Info Tech ETF 3.09%	Summerset Group Holdings 2.48%	Aveo Group 2.36%

^Externally managed fund.

Milford and Milford staff have approximately $33.1 million invested across our Unit Trust PIE Funds as at the end of March 2018.

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