

Australian Absolute Growth Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2022



Portfolio Managers



William Curtayne
Portfolio Manager



Wayne Gentle
Portfolio Manager

The Fund ended 2022 with a -1.5% return for the year. While disappointing to generate a negative return, the Fund largely delivered on our ambition to minimise capital losses in a difficult year. We invested defensively over the year with some good profits made in resources and energy and some key stock picks such as Neuren Pharmaceuticals. Our large positions in healthcare and staples largely held their value while we missed out on a good opportunity to make money on the banks' rally in the third quarter having sold our positions earlier in the year. We stand by our cautious view on Australian banks into 2023.

For December, the Fund returned -0.2% while the ASX 200 index fell 3.2%. Markets consolidated weaker again, after a strong couple of months, on the back of cooler inflation data.

Our strongest performers over the month were New Zealand founded businesses EBOS (+7.2%) and Smartpay (+4.5%). Key laggard over the month was ResMed (-7.4%) which we consider a high-quality company with defensive earnings and trading at a reasonable valuation.

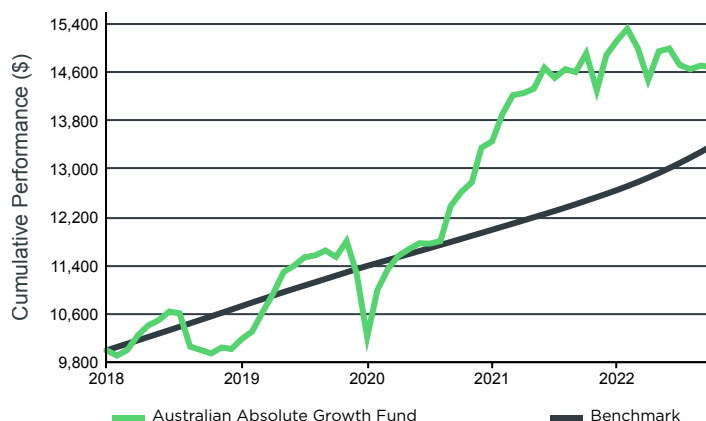
A couple of our larger positions are currently under takeover offers, OZ minerals and Origin Energy. OZ Minerals is a low-risk takeover after the company agreed a scheme of implementation with BHP in December, meaning we will get a small but low-risk return to the completion date in March/April. Origin is a position we owned prior to it receiving a takeover offer of \$9 per share. It is currently trading at a substantial discount due to uncertainty around whether the takeover will proceed. We see the risk/reward of this as attractive, given the possibility of completion, and, in any event, believe the company is a good long-term position if the takeover does not proceed.

The drivers of markets in 2022 were inflation and interest rates. We believe the main driver in 2023 will be recession fears and profits. Whether or not a recession occurs, we anticipate lower profits in 2023 in Australia and globally due to slowing revenues and higher operating and debt costs. Current equity valuations remain high, considering this profit outlook, leading us to maintain our cautious positioning and weight towards companies with non-cyclical earnings. As the earnings weakness progresses, we will look to establish longer term positions in quality businesses at attractive valuations.

To view Milford's January 2023 Market and Economic Review please see milfordasset.com/investor-centre.

Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date.

Key Fund Facts

Objective¹

Targets an absolute return with an annualised return objective of 5% above the New Zealand Official Cash Rate while seeking to protect capital over rolling three year periods

Description

Diversified fund that primarily invests in Australasian equities, complemented by selective exposure to international equities and cash

Minimum recommended investment timeframe	7 years +
Target Allocation	17.5% Income Assets / 82.5% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$578.8 M
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 March 2018
Benchmark	OCR + 5% p.a.
Base Fund Fee²	1.05%
Performance Fee	15% of the Fund's returns above the Benchmark ¹ , subject to the high watermark.
Total Fund Fees³	1.25% (includes an est. performance fee)
Risk Indicator	<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;">Lower risk</div> <div style="text-align: center;"> 1 2 3 4 5 6 7 </div> <div style="text-align: right;">Higher risk</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div>

Australian Absolute Growth Fund as at 31 December 2022

Investment Performance after fees as at 31 December 2022⁴

Unit Price: \$1.4596

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Australian Absolute Growth Fund (Gross Of Tax)	-0.15%	-0.23%	-1.50%	8.35%	-	8.27%
After Tax 10.50%	-0.22%	0.15%	-1.40%	8.35%	-	8.23%
After Tax 17.50%	-0.27%	0.40%	-1.34%	8.35%	-	8.20%
After Tax 28.00%	-0.34%	0.78%	-1.24%	8.35%	-	8.15%
Benchmark	0.75%	2.15%	7.24%	5.99%	-	6.20%

Top Equity Holdings

Holdings	% of Fund
OZ Minerals	5.05%
CSL	4.92%
Telstra	4.76%
Ampol	4.65%
Origin Energy	4.60%
Santos	4.60%
Woolworths	3.86%
Coles	3.31%
Computershare	3.05%
Contact Energy	2.88%
Resmed	2.65%
Viva Energy Group	2.25%
QBE Insurance Group	2.01%
Neuren Pharmaceuticals	1.60%
Newcrest Mining	1.28%
EBOS Group	1.24%
Waypoint REIT	1.21%
IPH	1.19%
SmartPay	1.02%
Suncorp Group	1.00%

Current Asset Allocation

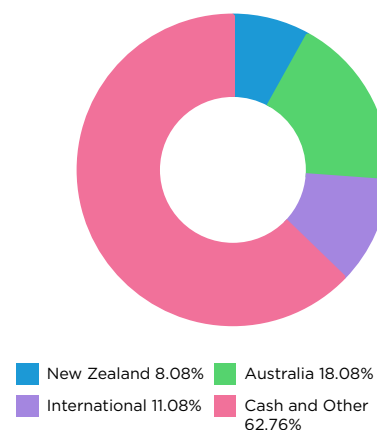
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	62.32%	7.5%
New Zealand Fixed Interest	4.36%	10%
International Fixed Interest	0.00%	0.0%
New Zealand Equities	5.06%	7.5%
Australian Equities	27.12%	72.5%
International Equities	0.70%	2.5%
Other	0.44%	0.0%

The actual cash held by the Fund is 26.04%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Sector Allocation

Allocation	Weight %
Energy	9.94%
Utilities	8.22%
Health Care	8.11%
Consumer Staples	5.72%
Communication Services	4.25%
Information Technology	4.01%
Industrials	1.39%
Government	0.00%
Other Sectors	-4.40%
Cash and Other	62.76%

Region Exposure



1. After the base fund fee but before tax and before the performance fee. 2. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 3. The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. 4. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at milfordasset.com/fact-sheet for more information about the data published within this document.

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