

Australian Absolute Growth Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2023



Portfolio Managers



William Curtayne
Portfolio Manager



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Portfolio Manager



Jason Kururangi
Co-Portfolio Manager

The Fund fell 2.2% in September, compared to the ASX 200 which declined 2.8%.

It was another volatile month with the sell off in bonds being the dominant feature. Australian 10-year bond yields increased from 4% to 4.5% and US bond yields increased from 4.1% to 4.5% - levels not seen in many years.

This is a significant headwind to equity markets, as a higher discount rate reduces the present value of future cash flows, and cash instruments become an increasingly attractive alternative to equities. When this is coupled with increasing bond market volatility, it exacerbates the selling pressure on equities. Energy commodities continued their march higher in September, with Brent Oil prices increasing 9.8% to \$95. Higher energy prices are stoking the fears of a reacceleration in inflation, reinforcing the move in rates.

Teck Resources rallied 4.5% in September driven by rising expectations of global economic activity plus an increasing chance of corporate activity. Santos (+3.0%) and Suncorp (+2.5%) performed well, driven by better oil prices and higher short-term rates respectively.

Our detractors were mainly in our defensive companies, CSL (-7.6%), TLS (-4.0%) and HCA Healthcare (-11.1%), as higher rates weighed heavily on these longer duration investments. Fundamentally they remain sound and, in fact, most of these businesses are well positioned to navigate a trickier economic environment.

We exited Origin Energy on the heightened risk of deal completion and a lower annualised return after a very strong few months. We also increased our exposure to Viva Energy, as insider Vittol sold 16% of the company or approximately 33% of its stake. This provided a great liquidity opportunity at attractive levels.

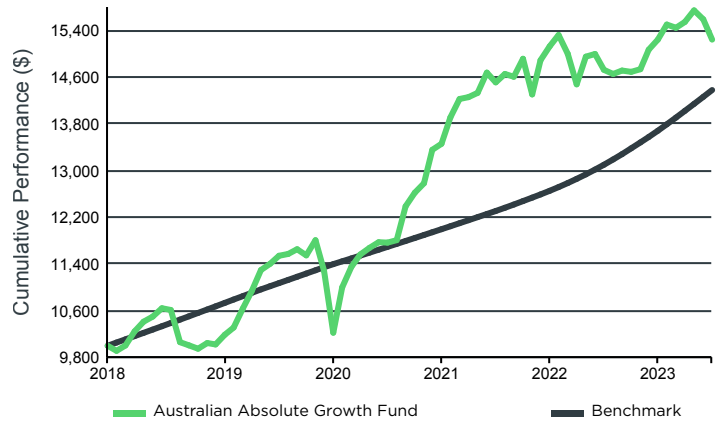
Equity markets are precariously placed with a higher USD, rising oil prices and rising rates increasing equity and economic volatility. Generally when these factors combine, stresses in the financial system are elevated with the increased probability of something going wrong. On the flip side, the US economy remains extremely resilient to the Fed's tightening (thus far) and hence we remain in a divisive market. We will continue to deploy our cash into attractive opportunities as they present themselves, but remain wary given the aforementioned risks.

To view Milford's September 2023 Market and Economic Review please see milfordasset.com/insights.

For previous fund reports see milfordasset.com/fund-reports.

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)	\$595.5 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	Lower risk Higher risk 1 2 3 4 5 6 7 Potentially lower returns Potentially higher returns

Australian Absolute Growth Fund as at 30 September 2023

Investment Performance after fees as at 30 September 2023⁴

Unit Price: \$1.5131

	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)	-2.23%	-1.94%	3.51%	9.01%	7.51%	7.84%
After Tax 10.50%	-2.32%	-1.96%	3.82%	9.06%	7.45%	7.78%
After Tax 17.50%	-2.37%	-1.98%	4.02%	9.09%	7.42%	7.75%
After Tax 28.00%	-2.46%	-2.00%	4.33%	9.13%	7.36%	7.69%
Benchmark	0.82%	2.55%	9.76%	7.14%	6.71%	6.72%

Top Security Holdings

Holdings	% of Fund
Telstra	6.00%
CSL	4.91%
Santos	3.99%
NAB	3.96%
Viva Energy Group	3.84%
Suncorp Group	3.34%
Teck Resources	3.25%
IPH	2.84%
Estia Health	2.74%
United Malt	2.48%

Current Asset Allocation

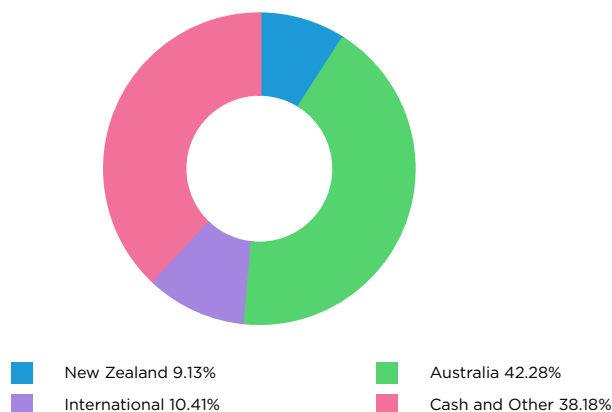
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	37.22%	7.5%
New Zealand Fixed Interest	5.74%	10%
International Fixed Interest	5.61%	0.0%
New Zealand Equities	3.24%	7.5%
Australian Equities	40.06%	72.5%
International Equities	7.17%	2.5%
Other	0.96%	0.0%

The actual cash held by the Fund is 12.23%. 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	10.62%
Health Care	10.38%
Financials	9.25%
Communication Services	6.38%
Materials	5.85%
Utilities	4.53%
Industrials	4.45%
Government	3.27%
Other Sectors	7.09%
Cash and Other	38.18%

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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