

# Conservative Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2020



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Mark Riggall**  
Co-Portfolio Manager

The Fund returned 0.9% in December. Irrespective of the global COVID-19 case surge, market risk appetite was underpinned by expectations for the vaccine roll-out and further government spending. This drove strong contributions from the Fund's global and Australasian shares, with notable performance from NZ electricity 'gentailers'. It was however a headwind for key government bond markets which were weaker.

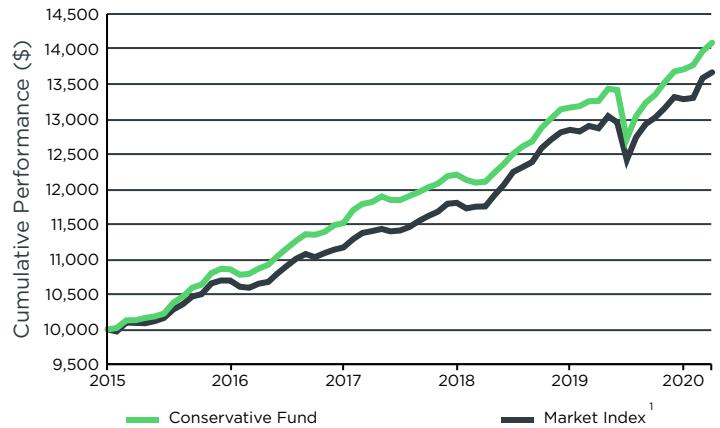
The impact was partially offset by the Fund's predominate bond exposure being to corporates, which continued to recover from the initial stages of the COVID crisis. The Fund's global corporate bonds delivered a moderate return, but its Australasian bonds were close to flat (these have more higher-rated bonds with generally closer performance to government bonds).

During the month we further increased the Fund's allocation to shares. While higher than in recent years at 19% it (i) remains consistent with the Fund's conservative risk profile and (ii) is predicated on a vaccine supported economic recovery and, considering prevailing valuations, ongoing low interest rates. Our base case expectation is for a moderate drift higher in longer-dated market interest rates next year but we are wary that a larger move would be a negative for shares. Such an outcome would also be a negative for bonds where yields are likely close to their medium-term lows. Therefore we will limit Fund interest rate exposure. Looking forward, the Fund's share exposure complemented by its corporate bond exposure should support moderate returns, but we reiterate these may be lower than in previous years.

To view Milford's January 2021 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

## Cumulative Fund Performance

(after fees and before tax)



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

## Key Fund Facts

### Objective<sup>2</sup>

Moderate returns and protect capital over a minimum of three years

### Description

Diversified fund that primarily invests in fixed interest securities, with a moderate allocation to equities

<b>Target Allocation</b>	82% Income Assets / 18% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$553.8 M
<b>Yield<sup>3</sup></b>	1.55%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	2.42 years
<b>Buy-sell Spread</b>	None - swing pricing applies (See PDS for details)
<b>Inception Date</b>	1 September 2015
<b>Current Distribution</b>	0.5 cents per unit (Quarterly)
<b>Benchmark</b>	Not applicable
<b>Base Fund Fee<sup>4</sup></b>	0.95%
<b>Performance Fee</b>	Not applicable
<b>Total Fund Fees<sup>5</sup></b>	0.95%

	Lower risk	1	2	3	4	5	6	7	Higher risk
<b>Risk Indicator</b>				3					
			Potentially lower returns					Potentially higher returns	



## Conservative Fund as at 31 December 2020

### Investment Performance after fees as at 31 December 2020<sup>6</sup>

Unit Price: \$1.2367

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Conservative Fund (Gross Of Tax)	0.88%	2.78%	6.27%	6.04%	6.75%	6.64%
After Tax 10.50%	0.85%	2.59%	5.68%	5.52%	6.15%	6.06%
After Tax 17.50%	0.82%	2.46%	5.30%	5.17%	5.75%	5.68%
After Tax 28.00%	0.79%	2.27%	4.72%	4.66%	5.16%	5.10%
Market Index <sup>1</sup>	0.61%	2.89%	6.20%	6.23%	6.26%	6.03%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	0.76%
Spark	0.63%
Woolworths	0.48%
Wesfarmers	0.45%
Goodman	0.45%
Transurban	0.44%
Meridian	0.43%
Telstra	0.41%
Coles	0.38%
Mirvac	0.31%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	6.74%	7.00%
New Zealand Fixed Interest	24.00%	25.00%
International Fixed Interest	48.82%	50.00%
New Zealand Equities	3.24%	1.50%
Australian Equities	4.93%	2.50%
International Equities	7.75%	9.00%
Listed Property	3.19%	5.00%
Other	1.33%	0%

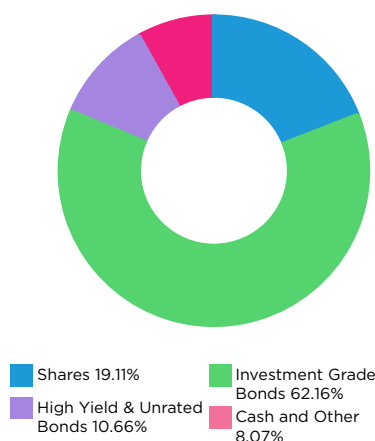
# The actual cash held by the Fund is 5.53%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

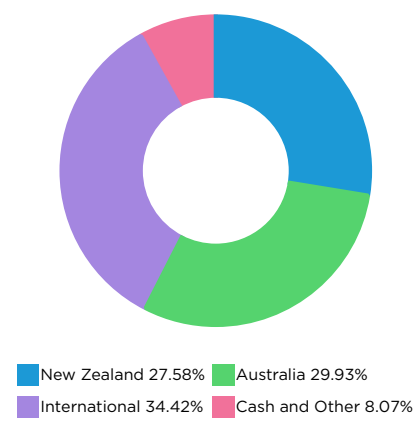
Holdings	% of Fund
Scentre Group 5.125% 2080	1.20%
NZLGFA 1.5% 2029	1.11%
Housing NZ 3.36% 2025	1.07%
Westpac 2.22% 2024	1.01%
NZLGFA 3.5% 2033	1.01%
IBRD 0.625% 2027	0.94%
NAB Float 2030	0.88%
Kiwibank 2.36% 2030	0.88%
Transpower 1.735% 2025	0.88%
ASB Bank 1.83% 2024	0.87%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

### Fund Portfolio Mix



### Region Exposure



1. The Fund does not have a performance benchmark, hence a market index has been included for comparison purposes. See the Statement of Investment Policy and Objectives for more details on the market index. The market index is a blend of indices that represent the Fund's neutral asset allocation. Note the Fund's investment strategy is designed to achieve its objective, which may mean that at times, the returns of the market index may not be an appropriate measure. 2. After the base fund fee but before tax. 3. Yield to maturity (before tax and fees) for underlying investments in the Fund. 4. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 5. 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. 6. Includes the reinvestment of distributions. 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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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