

Conservative Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2021



Portfolio Managers



Paul Morris
Portfolio Manager



Mark Riggall
Co-Portfolio Manager

The Fund enjoyed a strong end to the year, gaining 1.4% in December, recovering much of the recent weakness. As December progressed, confidence improved that economies could navigate the Omicron Covid wave and the removal of extremely loose central bank monetary policy settings. This underpinned the annual “Santa Rally” in risky assets which helped the Fund’s shares (to which exposure had been increased) post strong gains and led corporate bonds (the Fund’s predominant bond exposure) to outperform a mixed month for government bonds. Most of the Fund’s corporate bonds posted positive returns and they continue to recover from recent underperformance relative to government bonds.

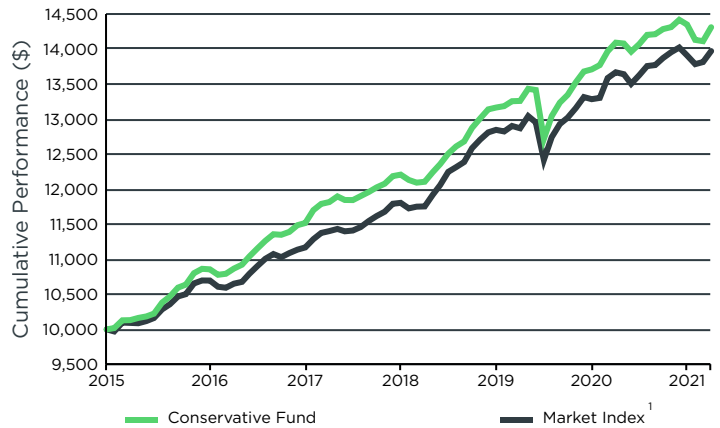
High yield bonds and subordinated bonds of investment grade rated companies delivered a higher return than investment grade bonds, being more insulated from rising market interest rates. There were broad based gains across the Fund’s shares. Income oriented, growth and cyclical shareholdings all broadly speaking posted gains, but it was another call out month for property shares and global infrastructure shares (especially roads and airports).

Looking forward, our base case remains for positive but moderate Fund returns in 2022. Market interest rates are likely to rise as central banks tighten policy to combat high inflation but should remain historically low. Nevertheless, this may be a headwind for bonds, so we continue to limit interest rate exposure. The Fund’s share exposure may be close to its long run neutral, as the earnings outlook remains positive and interest rates remain historically low, but given likely rising interest rates and increased market volatility it will remain actively managed in terms of allocating across different countries and sectors.

To view Milford’s January 2022 Market and Economic Review please see 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

Objective²

To provide moderate returns and protect capital over the minimum recommended investment timeframe

Description

Diversified fund that primarily invests in fixed interest securities, with a moderate allocation to equities. While conservative in nature, the Fund may experience short term negative returns, particularly in times of heightened volatility

Minimum recommended investment timeframe	3 years +
Target Allocation	82% Income Assets / 18% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$609.3 M
Yield³	2.83%
Average Credit Rating	A-
Duration	2.29 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 September 2015
Current Distribution	0.5 cents per unit (Quarterly)
Benchmark	Not applicable
Base Fund Fee⁴	0.95%
Performance Fee	Not applicable
Total Fund Fees⁵	0.95%

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



Conservative Fund as at 31 December 2021

Investment Performance after fees as at 31 December 2021⁶

Unit Price: \$1.2351

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Conservative Fund (Gross Of Tax)	1.41%	-0.26%	1.56%	5.73%	5.66%	5.82%
After Tax 10.50%	1.37%	-0.13%	1.69%	5.34%	5.23%	5.36%
After Tax 17.50%	1.34%	-0.04%	1.78%	5.09%	4.95%	5.05%
After Tax 28.00%	1.30%	0.09%	1.91%	4.70%	4.53%	4.59%
Market Index ¹	1.13%	0.45%	2.22%	5.93%	5.57%	5.42%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	0.55%
Goodman	0.41%
Spark	0.37%
Mastercard	0.36%
Transurban	0.35%
Telstra	0.35%
Charter Hall Retail	0.34%
Microsoft	0.33%
Alphabet	0.33%
NAB	0.31%

Current Asset Allocation

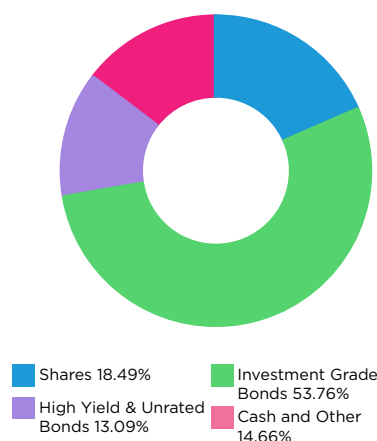
	Actual Investment Mix	Neutral Investment Mix
Effective Cash [#]	14.64%	7.0%
New Zealand Fixed Interest	22.94%	25.0%
International Fixed Interest	43.93%	50.0%
New Zealand Equities	2.54%	1.5%
Australian Equities	2.55%	2.5%
International Equities	9.84%	9.0%
Listed Property	3.56%	5.0%
Other	0.00%	0.0%

[#] The actual cash held by the Fund is 13.16%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

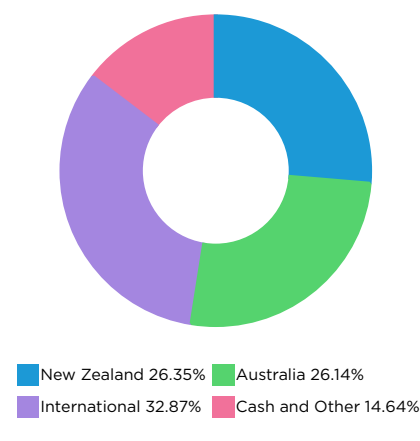
Top Fixed Interest Holdings

Holdings	% of Fund
NZ Govt. 0.5% 2026	2.38%
Kiwibank 1.3% 2022	2.23%
ANZ 1.45% 2022	1.98%
NZLGFA 1.5% 2026	1.44%
ANZ 2.999% 2031	1.04%
Government of Australia 0.5% 2026	0.95%
Housing NZ 3.36% 2025	0.71%
NZLGFA 1.5% 2029	0.69%
Vector 3.69% 2027	0.68%
McDonald's 3.45% 2026	0.67%

Fund Portfolio Mix



Region Exposure



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

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 for more information about the data published within this document.

Disclaimer: The Milford Fund Fact Sheet has been prepared by Milford Funds Limited. It is based on information believed to be accurate and reliable although no guarantee can be given that this is the case. No reproduction of any material either in part or in full is permitted without prior permission. For more information about the Fund, please refer to the Production Disclosure Statement or the latest Quarterly Fund Update.