

# Conservative Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 28 February 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Mark Riggall**  
Co-Portfolio Manager

Although the Fund retained a cautious stance with a lower exposure to bonds, a reduced share exposure and more cash, it was insufficient to prevent a disappointing loss (-0.8% in the month). Bonds continue to form the predominant Fund exposure, but they remained pressured by rising market interest rates, albeit the negative impact on the Fund was cushioned by having partially reduced exposure to rising market interest rates. Performance across the Fund's shares was mixed. Some sectors continue to see prices adjust lower to reflect a less supportive policy outlook and potentially lower earnings growth, but there were also pockets of strength. Australasian utilities and banks (e.g. Westpac +12.4%) were generally stronger, while commodity related exposures benefitted from higher prices (e.g. US gas exporter Cheniere +19.1%).

We have continued to hold off from adding back to the Fund's lower than long-run neutral exposure to bonds. Some valuations are however approaching levels which may offer attractive medium-term returns for their risk. Ultimately, we believe the higher interest rate backdrop should benefit future fund returns but for now we will be very selective in buying bonds.

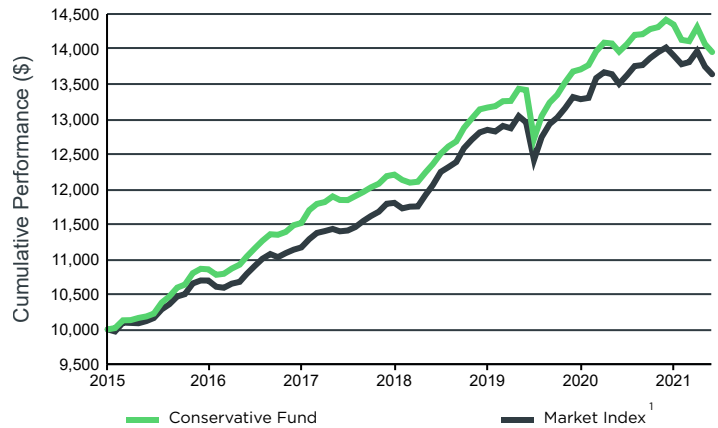
This approach also holds for the Fund's share allocation, which remains lower than its long-run neutral. We had been diversifying away from companies with more elevated valuations, and companies more likely to be negatively impacted by higher interest rates. That included a lower allocation to traditional income shares. While we remain wary of the risk for further share market weakness, increasingly we are finding company shares which may afford attractive medium-term returns. We will therefore look to opportunistically add such shares while continuing to limit broad share market exposure.

Looking ahead, we think the Fund is well placed to deliver moderate returns over its recommended investment timeframe. The transition to a higher level of market interest rates is well progressed. For now, we will retain a lower than long-term neutral exposure to interest rates, and a higher cash balance at the expense of less corporate bonds and shares. As discussed, we will look to invest some of this cash selectively should valuations at the individual bond and share level provide attractive medium-term returns.

To view Milford's March 2022 Market and Economic Review please see [milfordasset.com/fact-sheet](https://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>

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

<b>Minimum recommended investment timeframe</b>	3 years +
<b>Target Allocation</b>	82% Income Assets / 18% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$602.2 M
<b>Yield <sup>3</sup></b>	3.40%
<b>Average Credit Rating</b>	A-
<b>Duration</b>	2.43 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%





# Conservative Fund as at 28 February 2022

## Investment Performance after fees as at 28 February 2022<sup>6</sup>

Unit Price: \$1.1995

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Conservative Fund (Gross Of Tax)	-0.80%	-1.10%	-0.04%	4.14%	4.80%	5.26%
After Tax 10.50%	-0.76%	-1.01%	0.18%	3.85%	4.43%	4.84%
After Tax 17.50%	-0.72%	-0.95%	0.32%	3.66%	4.19%	4.56%
After Tax 28.00%	-0.67%	-0.85%	0.54%	3.38%	3.82%	4.13%
Market Index <sup>1</sup>	-0.79%	-1.26%	1.01%	4.19%	4.79%	4.89%

## Top Equity Holdings

Holdings	% of Fund
Contact Energy	0.60%
Atlantia	0.44%
Spark	0.43%
Telstra	0.38%
HCA Holdings	0.37%
Anthem	0.36%
Charter Hall Retail	0.35%
Transurban	0.34%
Cheniere Energy	0.31%
Getlink	0.30%

## Current Asset Allocation

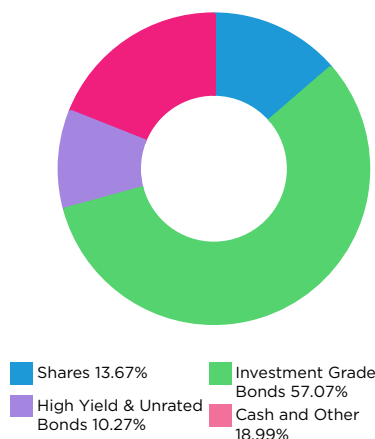
	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	18.99%	7.0%
New Zealand Fixed Interest	25.79%	25.0%
International Fixed Interest	41.55%	50.0%
New Zealand Equities	2.16%	1.5%
Australian Equities	2.71%	2.5%
International Equities	5.34%	9.0%
Listed Property	3.46%	5.0%
Other	0.00%	0.0%

# The actual cash held by the Fund is 13.04%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

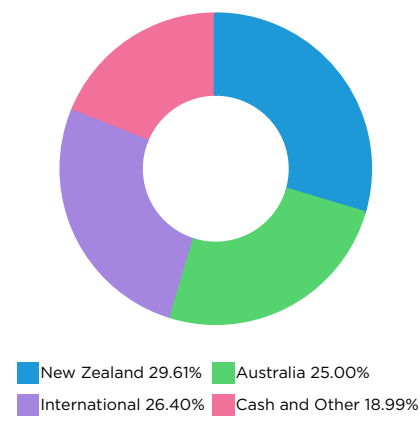
## Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	4.87%
NZ Govt. 0.5% 2026	3.04%
ANZ 1.45% 2022	2.00%
NZLGFA 1.5% 2026	1.29%
ANZ 2.999% 2031	0.95%
Government of Australia 0.5% 2026	0.86%
Westpac 3.696% 2027	0.71%
NAB Float 2027	0.65%
Housing NZ 3.36% 2025	0.64%
McDonald's 3.45% 2026	0.63%

## 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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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