

Conservative Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2021



Portfolio Managers



Paul Morris
Portfolio Manager



Mark Riggall
Co-Portfolio Manager

October was a challenging one for the Fund, falling 1.5% to leave the 6-month and 1-year returns at -0.5% and 2.6% respectively.

During 2021 the “normalisation” of market interest rates higher has been, and remains, a key headwind for Fund returns. Inflation is driving these moves, as it proves less transient than central banks had hoped. Some policy makers, notably the Reserve Bank of New Zealand, have reacted by beginning the removal of emergency monetary policy settings. Others may prove to be slower (e.g. the US and Australia) but that has not stopped expectations building, pushing market interest rates higher and bond prices lower.

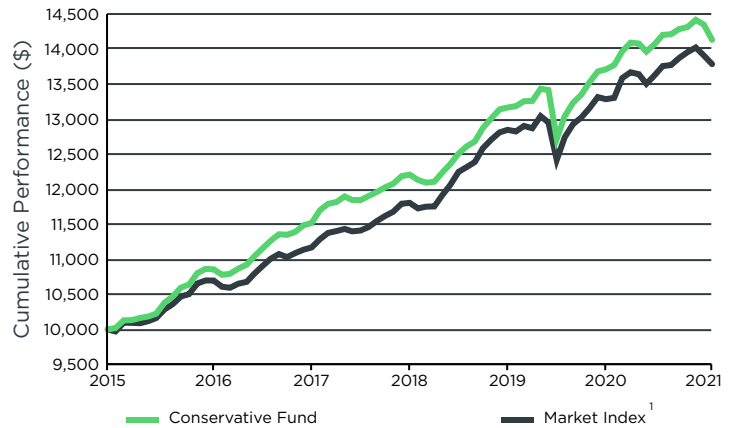
With bonds being the Fund’s predominant exposure, this caused the bulk of the Fund’s October weakness, even after accounting for hedges in place to cushion the negative impact of rising rates. Rising market interest rates were also a headwind for the Fund’s Australasian shares, especially income-oriented shares. The Fund did however benefit positively from strong performance across many of its global shares.

Looking ahead, waning monetary policy support is likely to see further periods of elevated volatility but has led some market interest rates to levels where it made sense to allocate more to corporate bonds. We will keep interest rate exposure lower than we have historically but note we may be getting closer to the final destination for longer dated interest rates in this cycle. For shares, company reporting suggests inflation and logistics headwinds remain navigable, even if earnings growth may moderate from recent highs. In conclusion, we believe the medium-term economic and market outlook remains constructive for Fund returns. Increased volatility should provide a fertile backdrop for us to buy bonds and shares that will beat the broader market over time.

To view Milford’s November 2021 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

Objective ²

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)	\$616.3 M
Yield ³	2.71%
Average Credit Rating	A-
Duration	2.01 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 Fee ⁴	0.95%
Performance Fee	Not applicable
Total Fund Fees ⁵	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 October 2021

Investment Performance after fees as at 31 October 2021⁶

Unit Price: \$1.2196

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Conservative Fund (Gross Of Tax)	-1.52%	-1.27%	2.61%	5.21%	5.56%	5.76%
After Tax 10.50%	-1.38%	-1.11%	2.62%	4.83%	5.13%	5.29%
After Tax 17.50%	-1.28%	-1.01%	2.62%	4.57%	4.84%	4.98%
After Tax 28.00%	-1.14%	-0.85%	2.63%	4.19%	4.41%	4.51%
Market Index ¹	-0.89%	-1.22%	3.62%	5.54%	5.38%	5.34%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	0.63%
Sydney Airport	0.41%
Goodman	0.40%
Transurban	0.40%
Telstra	0.39%
Charter Hall Retail	0.36%
Spark	0.35%
Mastercard	0.32%
Microsoft	0.31%
NAB	0.31%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	10.24%	7%
New Zealand Fixed Interest	23.70%	25%
International Fixed Interest	46.52%	50.00%
New Zealand Equities	3.44%	2%
Australian Equities	2.80%	3%
International Equities	8.83%	9%
Listed Property	3.38%	5%
Other	1.09%	0%

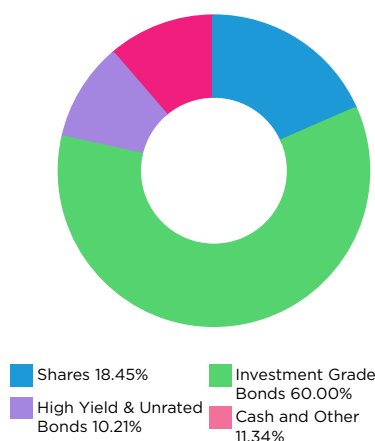
The actual cash held by the Fund is 9.34%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

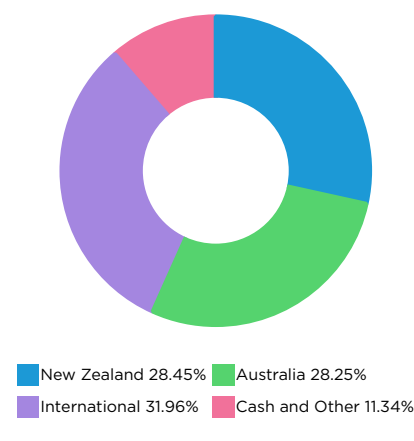
Holdings	% of Fund
Kiwibank 1.3% 2022	2.22%
ANZ 1.45% 2022	1.95%
NZLGFA 1.5% 2026	1.72%
ANZ 2.999% 2031	1.35%
Bank of Queensland Float 2026	0.87%
Housing NZ 3.36% 2025	0.83%
Scentre Group 4.75% 2080	0.80%
NZLGFA 1.5% 2029	0.79%
NZLGFA 2.25% 2028	0.72%
NZLGFA 3.5% 2033	0.72%

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 for more information about the data published within this document.

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