

Milford Dynamic Fund (AU)

ETL6978AU

September 2020



Portfolio Managers



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Portfolio Manager



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The Dynamic Fund held up well through September delivering a largely flat return of 0.2%, while the S&P/ASX Small Ordinaries benchmark declined -2.8%. We are pleased to deliver the first full year performance of 6.9% in the Fund. This also marks the seven-year inception performance of the same strategy which has returned 11.9% p.a. against the benchmark return of 6.3% p.a. The fund strategy has captured over 100% of the market-upside and ~50% of the market-downside.

This month, performance was led by SeaLink (+17.9%) as it continues to win key transit contracts, having secured routes in SA, QLD, WA and Singapore over the past quarter. The upcoming tender pipeline also looks promising with the planned privatisation of key routes in NSW & VIC. Our base case is for ~\$400m additional revenue to be won over the following 10 months. In the marine business, we think Sealink will also be a beneficiary of a cyclical boom from domestic holiday makers travelling to local island destinations. HUB24 (+14.6%) continued its strong recent performance, as it benefits from the structural migration away from the major banks, and AMP, towards more nimble independent wealth management groups. Mortgage broker AFG (+17.7%) rallied strongly as housing related companies outperformed. Auction clearance rates have remained steady in NSW, WA and SA which is supportive for mortgage volumes. VIC is understandably still weak, but stimulus and the reopening will improve transaction velocity over the coming 3 months.

Detractors included payments provider EML Payments (-16.4%) and Fisher & Paykel Healthcare (-8.8%) – We retain a positive view on both companies.

We enter the final quarter of the year with a balanced portfolio given the wide array of outcomes which will largely determine the direction of equity markets. These events include fiscal stimulus packages, developments on vaccines and the outcome of the US presidential election. A key risk control in our process which assists in protecting capital in periods of elevated uncertainty include an added focus on i) balance sheet, ii) quality of business, iii) valuation of business (don't overpay for IPOs!) and iv) liquidity constraints (particularly relevant in small caps). While we have shifted the Fund to be slightly more defensive once again, we remain invested in quality companies we believe can continue to perform despite uncertain conditions.

Investment Performance to September 2020*



* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

Key Fund Facts

Objective	The fund targets outperformance of the S&P/ASX Small Ordinaries (TR) Index
Description	Primarily invests in small to mid-cap Australian equities
Benchmark	S&P/ASX Small Ordinaries (TR) Index
mFund Code	MFA02
Redemption Price <small>as at 30 Sep</small>	\$1.0657
NAV <small>as at 30 Sep</small>	\$22.7 Million
Inception Date	October 2019
Minimum Investment	\$20,000
Recommended Investment Timeframe	5 years +
Buy-sell Spread	+/-0.30%
Entry/Exit Fee	Nil
Distribution Frequency	Annual (30 June)
Management Fee*	1.10%
Capped Expense Recovery*	0.10%
Performance Fee*	20% p.a. of returns above the benchmark subject to achieving the high watermark.
Fund Pricing	Daily

* Fees are stated exclusive of GST.

Investment Performance to September 2020[†]

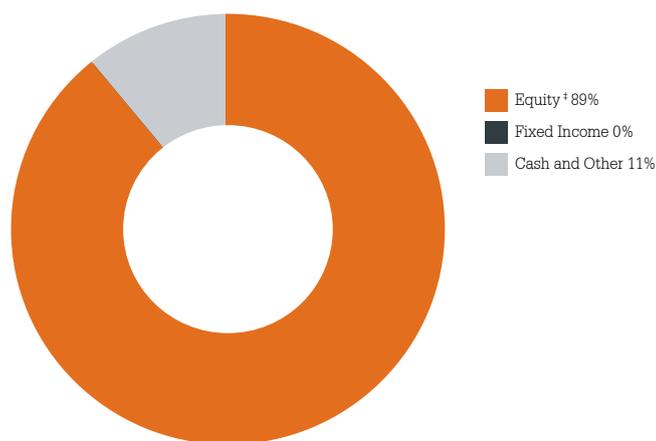
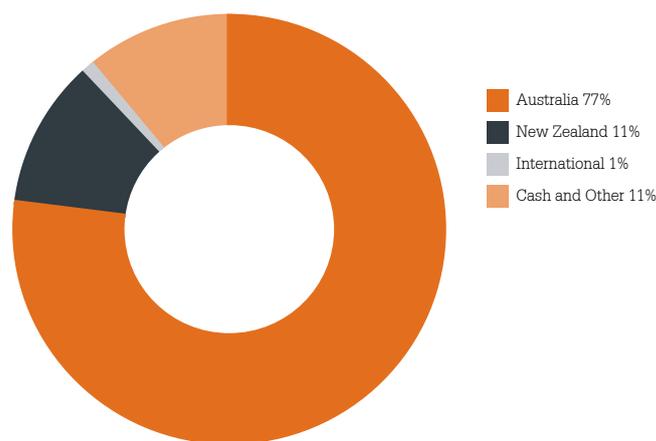
	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception ^{**}
Milford Dynamic Fund (AU)	0.18%	36.89%	6.89%	-	-	-
Milford Dynamic Fund (Strategy) ^{***}	0.18%	36.89%	6.88%	12.12%	11.88%	11.92%
Benchmark	-2.82%	30.93%	-3.33%	6.53%	9.97%	6.25%

Past performance is not a reliable indicator of future performance.

* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

** Inception date of the Milford Dynamic Fund (Strategy) is 1 October 2019.

*** The Milford Dynamic Fund (Strategy) Performance combines the performance of the Milford Dynamic Fund (NZ) from 1 October 2013 to 30 September 2019 and the performance of the Milford Dynamic Fund (AU) thereafter. The performance of the Milford Dynamic Fund (NZ) has been adjusted to reflect the difference in fee structure and neutral currency exposure from the Milford Dynamic Fund (AU).

Current Asset Allocation¹Current Country Allocation^{†1}

Top Security Holdings

Holdings	% of Fund's NAV
Sealink Travel Group	4.40%
HUB24	4.34%
Collins Foods	4.04%
Bapcor	3.95%
IPH	3.42%
Evolution Mining	3.25%
EQT Holdings	2.95%
Fisher & Paykel Healthcare	2.88%
EML Payments	2.87%
Lifestyle Communities	2.75%

Fund Changes

There have been no material changes to the below information since the last monthly report:

- The Fund's risk profile
- The Fund's strategy

There have been no changes to the below information since the PDS was issued:

- Key service providers
- Individuals playing a key role in investment

¹ The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

[†] Equity will be the net amount, ie the total long less any shorts.

^{†1} Typically the country in which the company issuing the share/bond primarily operates

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