

Australian Absolute Growth Fund

Portfolio Investment Entity

Quarterly Fact Sheet as at 31 December 2018



Portfolio Managers



William Curtayne
Portfolio Manager



Wayne Gentle
Portfolio Manager

The Fund declined 0.6% in December, bringing the since inception return to -0.5% compared to a 2.7% decline by the ASX 200 index and an 8.2% decline by the ASX Small Ordinaries index over the same period. Share market gains earlier in the year were wiped out in the final quarter as the removal of quantitative easing by central banks around the world caused a downward repricing of assets globally.

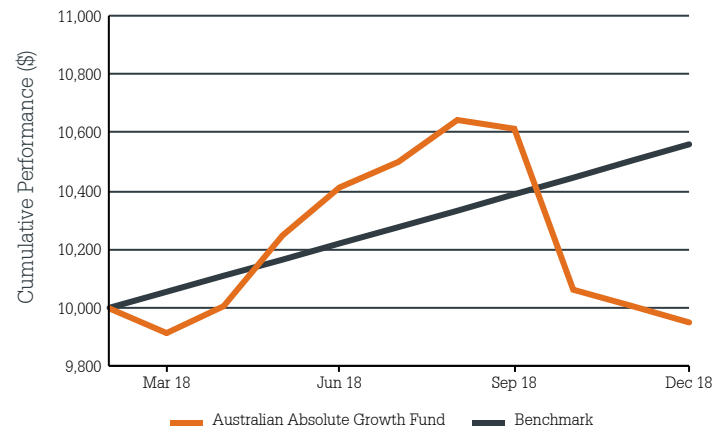
Our top contributor, since inception, was Pinnacle Investment Management which returned 63% to our point of sale in October. Our next best contributor was Xero, which performed strongly in the first half of 2018 and our third best contributor was Collins Food which rallied later in the year. The largest detractors were Experience Co, Boral and Unibail-Rodamco-Westfield. Experience Co suffered as demand for skydiving fell after some accidents while Boral declined later in the year on concerns about the slowing Australian and US housing markets. Unibail performed poorly post its acquisition of Westfield as the price setting European investors took a negative view on the value of the newly merged entity. The Fund has exited Experience Co and Boral, but retains a position in Unibail due to its attractive dividend yield and valuation.

The Fund has entered 2019 positioned cautiously as we think this current market downturn may have more to play out. Over the past 10 years central bank stimulus in the form of quantitative easing, akin to printing more money, propped up

financial asset prices including shares, bonds and property. This created a favourable investment environment and the wealth effect from higher asset prices supported economic growth. Now with central banks unwinding stimulus, the assets that benefited over the last decade are in the process of being repriced lower. With the exception of banks and resources, the Australian share market is still trading 10 to 15% above long run average valuations. This valuation headwind combined with a large downturn in Sydney and Melbourne house prices, suggests there is still downside risk for Australian shares in 2019. But with the Fund's current cautious positioning, further weakness in the share market should have a relatively small impact on Fund performance. We will be watching closely for the right time to increase our exposure to equities, which could well be towards the middle or end of 2019.

Cumulative Fund Performance

(after fees and before tax)



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

Key Fund Facts

Objective¹	Absolute returns with an annualised return objective of 5% above the New Zealand Official Cash Rate while seeking to protect capital over rolling three year periods.
Description	Diversified fund that primarily invests in Australasian equities, complemented by selective exposure to international equities, fixed interest securities and cash
Target Allocation	17.5% Income Assets / 82.5% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$138.3 M
Buy-sell Spread	None
Inception Date	1 March 2018

Benchmark	OCR + 5% p.a.
Base Fund Fee²	1.05%
Performance Fee	15% of the Fund's returns above the Benchmark ¹ , subject to the high watermark.
Total Fund Fees³	1.22% (includes an est. performance fee)
Risk Indicator	<div style="display: flex; justify-content: space-between;"> Lower risk Higher risk </div> <div style="text-align: center;"> </div> <div style="display: flex; justify-content: space-between;"> Potentially lower returns Potentially higher returns </div>

Investment Performance after fees as at 31 December 2018⁴

Unit Price: \$0.9936

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception
Milford Australian Absolute Growth Fund (Gross Of Tax)	-6.25%	-4.44%	-	-	-	-0.50%
After Tax 10.50%	-6.49%	-4.75%	-	-	-	-0.79%
After Tax 17.50%	-6.65%	-4.96%	-	-	-	-0.99%
After Tax 28.00%	-6.90%	-5.28%	-	-	-	-1.28%
Benchmark	1.65%	3.32%	-	-	-	5.59%

Top Equity Holdings

Holdings	% of Fund's NAV
CSL	3.04%
Aristocrat Leisure	2.88%
Evolution Mining	2.74%
Contact Energy	2.49%
Newcrest Mining	2.39%
National Australia Bank	2.21%
Woodside Petroleum	2.11%
Woolworths Group	2.06%
Scentre Group	2.00%
Tabcorp Holdings	1.99%

Current Asset Allocation

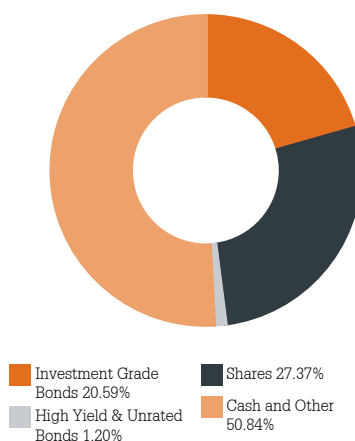
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	49.16%	7.50%
New Zealand Fixed Interest	13.86%	4.00%
International Fixed Interest	7.93%	6.00%
New Zealand Equities	3.08%	7.50%
Australian Equities	16.95%	72.50%
International Equities	7.34%	2.50%
Other	1.68%	0%

Top Fixed Interest Holdings

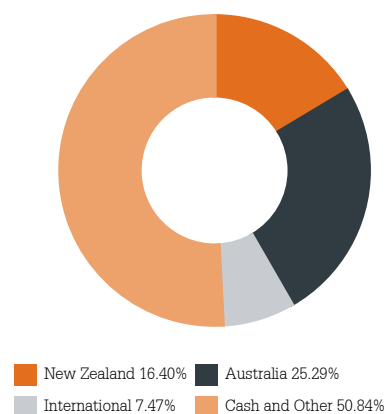
Holdings	% of Fund's NAV
ANZ Bank 2.97% 2019	2.42%
Kiwibank 3.1% 2019	2.42%
ANZ Bank 2.96% 2019	1.14%
ANZ Bank Float 2021	0.56%
Christchurch City Holdings 3.58% 2024	0.54%
Westpac Banking Corporation Float 2023	0.51%
Westpac Banking Corporation Float 2021	0.51%
New Zealand Local Government Funding Agency 6% 2021	0.46%
New Zealand Local Government Funding Agency 2.75% 2025	0.46%
NZ Govt. Inflation Indexed 2.00% 2025	0.46%

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

Fund Portfolio Mix



Country Exposure



1. After the base fund fee but before tax and before the performance fee. 2. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 3. 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. 4. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Quarterly Fact Sheet' at milfordasset.com/fact-sheet for more information about the data published within this document.

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