

# Dynamic Fund

Portfolio Investment Entity

## Quarterly Fact Sheet as at 31 December 2018



### Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Michael Higgins**  
Portfolio Manager

It was a lacklustre finish to the year, ending with a 3.6% decline for 2018. This was against the benchmark which declined 6.2%. Our elevated cash weighting, stock picking, gold exposures and short positions (which benefit when prices fall) helped us beat the benchmark by 2.5%. Strong 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 for the year was Xero, which returned 44.1% to the point of our majority sale in early November. Our next best contributor was IDP Education (+64.1%), which benefitted from the global growth of international students and our third best contributor was independent financial platform HUB24 (+24.5%). We added Xero to the portfolio in late December 2017 following uncertainty created on its removal from the NZX 50. It rallied 20% in reasonably short time so we took profits throughout the year. We retain a small position given our optimism about its future prospects and would look to increase the position if the valuation becomes more attractive. IDP Education has been a stalwart of the Fund for the past two years. We first bought at \$3.92 in January 2017 and still retain a small holding with the stock trading above \$10. IDP have many of the characteristics we look for in a quality company and we think it provides one of the only direct exposures to India's growth in global higher education and the proliferation of English language testing.

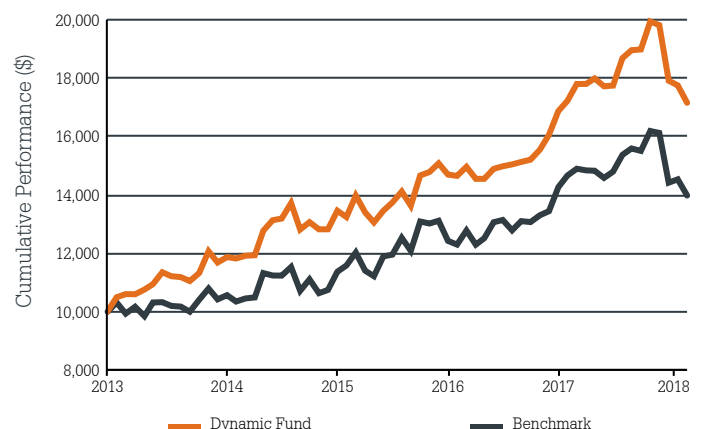
The largest detractors over the year include Experience Co (-63.2%), MNF Group (-38.4%) and Boral (-33.7%). Experience Co

suffered as demand for skydiving fell after some accidents, Boral declined on concerns about the slowing Australian and US housing markets and MNF Group disappointed with two downgrades.

We have a reasonably cautious view on the Australian market for 2019. The economy looks to be in a more vulnerable position than it was this time last year with house price declines still accelerating. We expect this translates into a more nervous consumer which will weigh on consumer spending. This is against a broader backdrop of uncertainty from a range of global concerns around trade wars, a China slowdown, the end of quantitative easing and interest rate rises which are all weighing heavily on the market. We will increase our overall equity exposure when we gain confidence that the downturn in Australian shares has more fully played out. In the meantime, we'll continue searching for attractive company specific opportunities.

### Cumulative Fund Performance

(after fees and before tax)



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

### Key Fund Facts

<b>Objective<sup>1</sup></b>	Capital growth by out-performing the relevant share market index over a minimum of five years
<b>Description</b>	Primarily invests in small to mid-cap Australasian equities
<b>Target Allocation</b>	10% Income Assets / 90% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$213.6 M
<b>Buy-sell Spread</b>	None
<b>Inception Date</b>	1 October 2013

<b>Benchmark</b>	S&P/ASX Small Industrials Accumulation Index (100% NZD-hedged)
<b>Base Fund Fee<sup>2</sup></b>	1.35%
<b>Performance Fee</b>	15% of the Fund's returns above the Benchmark <sup>1</sup> , subject to the high watermark.
<b>Total Fund Fees<sup>3</sup></b>	1.35%
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="text-align: center;"> <p>1 2 3 4 5 6 7</p> </div> <div style="display: flex; justify-content: space-between;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

Investment Performance after fees as at 31 December 2018<sup>4</sup>

Unit Price: \$1.6991

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Dynamic Fund (Gross Of Tax)	-13.43%	-9.51%	-3.63%	7.06%	10.11%	10.82%
After Tax 10.50%	-13.51%	-9.61%	-3.79%	6.91%	9.95%	10.69%
After Tax 17.50%	-13.56%	-9.68%	-3.90%	6.81%	9.84%	10.61%
After Tax 28.00%	-13.63%	-9.77%	-4.07%	6.66%	9.68%	10.49%
Benchmark	-13.29%	-10.33%	-6.15%	5.14%	6.57%	6.59%

## Top Security Holdings

Holdings	% of Fund's NAV
Collins Foods	3.09%
Aristocrat Leisure	3.03%
Evolution Mining	3.01%
Credit Corp Group	3.00%
AUB Group	2.56%
EQT Holdings	2.45%
Wellcom Group	2.40%
Seven Group Holdings	2.38%
Smartgroup Corp	2.26%
Australian Finance Group	2.20%

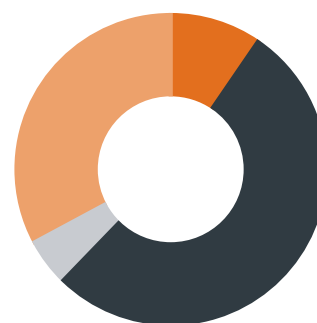
## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	30.54%	10.00%
New Zealand Fixed Interest	2.77%	0%
International Fixed Interest	0.00%	0%
New Zealand Equities	5.85%	0%
Australian Equities	55.74%	90.00%
International Equities	2.80%	0%
Other	2.30%	0%

## Sector Exposure

Allocation	Weight %
Consumer Discretionary	15.45%
Financials	15.07%
Industrials	11.53%
Materials	7.64%
Information Technology	3.96%
Consumer Staples	3.86%
Energy	2.95%
Utilities	2.83%
Other Sectors	3.87%
Cash and Other	32.84%

## Country Exposure



■ New Zealand 9.55%
 ■ Australia 52.67%
 ■ International 4.94%
 ■ Cash and Other 32.84%

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

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