

Global Equity Fund

Portfolio Investment Entity

Quarterly Fact Sheet as at 31 December 2018



Portfolio Managers



Felix Fok
Portfolio Manager



Stephen Johnston
Co-Portfolio Manager

In the fourth quarter of 2018, share markets globally were weak, rounding out a miserable 2018 for investors. It was a difficult quarter for global markets, with the MSCI World index in NZD falling 14.4%, the worst quarter since 2011. Share markets were weak due to a combination of factors, including slowing economic growth primarily outside the US, geopolitical concerns (including trade tensions between the US & China as well as the ongoing Brexit saga) and worries that the US Federal Reserve (Central Bank) was lifting interest rates too much, restricting economic growth. The Fund was down 12.2%, better than its benchmark by 1.6%.

Looking at the regions, the weakness was broad based with the key US index, the S&P 500, falling 13.5%. Europe was a little better with the Eurostoxx 50 down 11.5% and in Japan the Nikkei 225 fell 16.8%. Surprisingly, Emerging Markets outperformed, only falling 7.5%, although the region underperformed in the early part of 2018. There were large divergences in sector performance in the MSCI World, with defensive sectors such as utilities (+1.0%), real estate (-4.7%) and consumer staples (-6.4%) performing relatively better. However, more cyclical sectors fell more with the energy sector declining 20.7% and the technology and industrial sectors also weak, down 17.8% and 16.3% respectively.

In terms of Fund performance, the top contributor for the quarter was US securities and futures exchange, CME (+12.0%), a key beneficiary of volatility in markets as it leads to increased trading volume and higher revenue. We continue to like CME given its strong business model, dominant market position operating across multiple asset classes, and defensive attributes in weak share markets, as witnessed recently. Indian bank HDFC (+10.1%), a long term holding, also performed well in a difficult quarter. A distinguishing feature of the bank is the stability of its earnings, growing over 20% a year for the last ten years. We believe HDFC continues to be a good proxy for the long-term potential in the Indian economy.

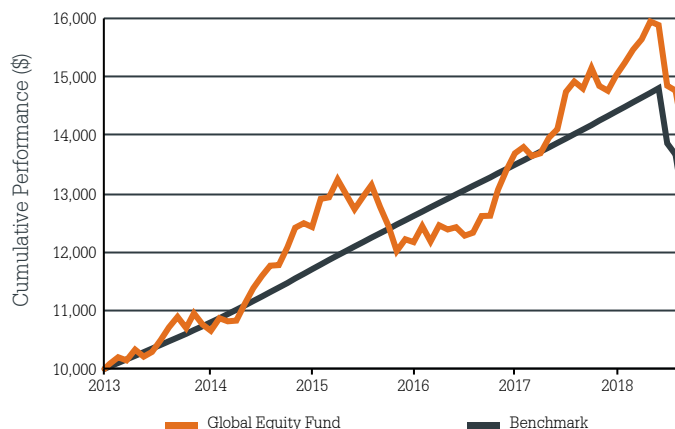
On the downside, the biggest detractor during the quarter was US warehousing and trucking company, XPO (-50.0%). XPO was under pressure due to a weaker 2019 guidance as a result of the bankruptcy of a UK client (House of Fraser department store) and a softer global economy. We reduced the size of our XPO position to manage risk, given its heightened volatility. Oil producer, EOG Resources (-31.5%), also struggled as it was impacted by the sell-off in the oil price which was down 38% in the quarter.

It was also a challenging quarter for our external managers with all three managers underperforming their respective benchmarks. Emerging Market specialist MTX was down the least, -7.9% for the quarter.

Overall, 2018 was a volatile year for investors. Heading into 2019, we expect the road ahead to be bumpy, but the recent volatility has created opportunities in some of our favoured companies. Our portfolio remains well diversified across geographies and sectors and focused on our key investment themes and world class dominant companies.

Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date.
Note: From 1 October 2018, the benchmark changed from the OCR+5% p.a. to the current benchmark.

Key Fund Facts

Objective¹	Capital growth by out-performing the relevant share market index over a minimum of five years
Description	Primarily invests in international equities
Target Allocation	5% Income Assets / 95% Growth Assets
Neutral FX Exposure	50%
Net Asset Value (NAV)	\$412.0 M
Buy-sell Spread	None
Inception Date	12 April 2013

Benchmark	MSCI World Index with net dividends reinvested (50% NZD-hedged)
Base Fund Fee²	1.40%
Performance Fee	15% of the Fund's returns above the Benchmark ¹ , subject to the high watermark.
Total Fund Fees³	1.40%
Risk Indicator	<p>Lower risk Higher risk</p> <p style="text-align: center;">1 2 3 4 5 6 7</p> <p>Potentially lower returns Potentially higher returns</p>

Investment Performance after fees as at 31 December 2018⁴

Unit Price: \$1.3839

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Global Equity Fund (Gross Of Tax)	-12.23%	-9.84%	-5.78%	2.96%	5.07%	5.98%
After Tax 10.50%	-12.15%	-9.83%	-5.89%	2.78%	4.79%	5.71%
After Tax 17.50%	-12.09%	-9.82%	-5.96%	2.65%	4.61%	5.54%
After Tax 28.00%	-12.01%	-9.80%	-6.06%	2.46%	4.33%	5.27%
Benchmark	-13.84%	-12.42%	-9.51%	1.16%	3.90%	4.35%

Top Security Holdings

Holdings	% of Fund's NAV
Vontobel Sust. EM Leaders	5.25%
Wellington Global Health Care	5.14%
Wellington Strategic Euro	4.76%
iShares MSCI EAFE Min Vol ETF	3.38%
Euro Stoxx 50 ETF SPDR	2.83%
Alphabet	2.52%
Health Care Select SPDR	2.49%
Crown Castle	2.10%
SPDR DJIA ETF Trust	1.86%
Energy Select SPDR	1.85%

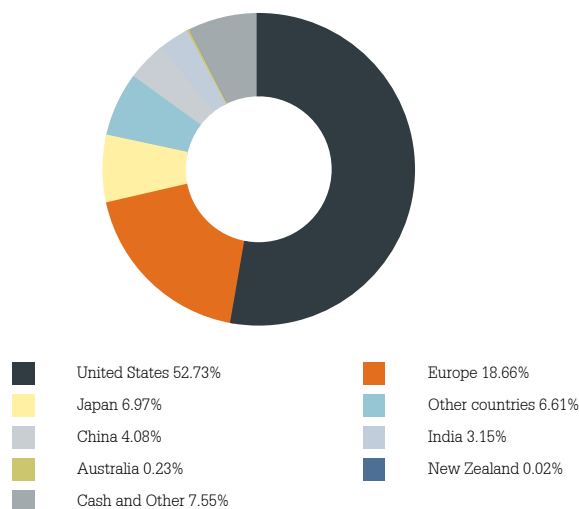
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	7.55%	5.00%
New Zealand Fixed Interest	0.00%	0%
International Fixed Interest	0.00%	0%
New Zealand Equities	0.00%	0%
Australian Equities	0.00%	0%
International Equities	92.45%	95.00%
Other	0.00%	0%

Sector Exposure

Allocation	Weight %
Financials	14.76%
Health Care	14.25%
Information Technology	13.22%
Consumer Staples	9.77%
Communication Services	9.19%
Consumer Discretionary	8.24%
Industrials	8.24%
Real Estate	7.39%
Other Sectors	7.39%
Cash and Other	7.55%

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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