

# Active Growth Fund

Portfolio Investment Entity

Quarterly Fact Sheet as at 31 December 2018



## Portfolio Managers



**Jonathan Windust**  
Portfolio Manager



**William Curtayne**  
Co-Portfolio Manager

It was a difficult quarter for the Fund which ended down 7.1% giving back much of this year's earlier gains to return +1.6% for 2018. The Fund was negatively impacted by sharp falls in share markets with New Zealand, Australian and global share markets down 5.6%, 8.2% and 13.1% respectively for the quarter. After a strong start to 2018 world share markets ended the year down 7.4%. Share markets were negatively impacted by several uncertainties including; slowing economic growth, trade tensions, rising short term US interest rates and, in Australia, falling house prices.

Reflecting these market uncertainties, the Fund continued to reduce its holdings to shares and increased its holding in cash during the quarter. At month end, the Fund had approximately 53% exposure to shares down from 69% at the end of September, against an average target weight to shares of 80%. In particular, the Fund reduced exposure to Australian shares due to concerns around slowing Chinese growth and the negative impact of falling house prices.

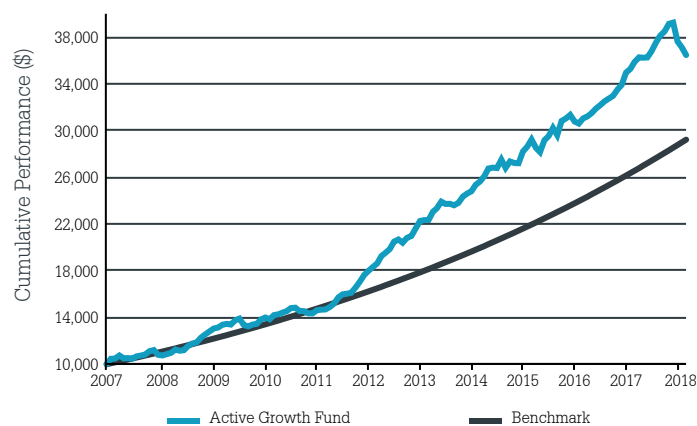
Key company performers during the quarter were Steel and Tube (+37.8%), TradeMe (+21.6%) and Restaurant Brands (+6.8%) in New Zealand and HDFC Bank (+10.1%) in India. Steel and Tube, TradeMe and Restaurant Brands were all subject to takeover offers. Whilst the Steel and Tube takeover was not supported by the company, we were able to sell our shares to Australian company Bluescope at \$1.75 per share. Whilst most companies fell, those that were perceived as cyclical and exposed to housing markets including Boral (-28.5%), Bluescope (-35.5%) and Bingo (-40.9%) were

particularly hard hit. Companies exposed to the oil price which fell 38% during the quarter were also sharply negative.

Looking forward we expect economic and earnings growth to moderate but to remain generally positive and are not expecting a sharp downturn. Furthermore, markets remain supported by relatively low interest rates and improved market valuations. In this environment we expect select shares and bond investments to outperform cash over the medium-term. However, in the short-term markets are likely to remain volatile until uncertainties are resolved. Reflecting this backdrop, the Fund continues to hold higher levels of cash to allow us to take advantage of market volatility to buy good companies at attractive valuations.

## 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>	Annual returns of 10% over a minimum of five years
<b>Description</b>	Diversified fund that primarily invests in Australasian equities, with a moderate allocation to international equities and fixed interest securities
<b>Target Allocation</b>	20% Income Assets / 80% Growth Assets
<b>Neutral FX Exposure</b>	11%
<b>Net Asset Value (NAV)</b>	\$1,068.2 M
<b>Buy-sell Spread</b>	None
<b>Inception Date</b>	1 October 2007

<b>Benchmark</b>	10% p.a.
<b>Base Fund Fee<sup>2</sup></b>	1.07%
<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>	1.30% (includes an est. performance fee)
<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> <p>Potentially lower returns Potentially higher returns</p> </div>

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

Unit Price: \$3.4155

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Active Growth Fund (Gross Of Tax)	-7.08%	-4.35%	1.62%	7.65%	10.29%	12.18%
After Tax 10.50%	-7.18%	-4.54%	1.27%	7.33%	9.91%	11.62%
After Tax 17.50%	-7.25%	-4.67%	1.03%	7.12%	9.66%	11.41%
After Tax 28.00%	-7.35%	-4.86%	0.68%	6.80%	9.29%	10.96%
Benchmark	2.41%	4.88%	10.00%	10.00%	10.00%	10.00%

## Top Equity Holdings

Holdings	% of Fund's NAV
iShares Edge MSCI Min Vol EAFE ETF	3.26%
Contact Energy	3.18%
a2 Milk Company	1.94%
Delegat Group	1.52%
Alphabet Inc Class C	1.34%
Unibail-Rodamco-Westfield	1.15%
Vanguard Intl Shares Sel Exclusions Idx	1.15%
BlueScope Steel	1.07%
Transurban Group	1.06%
Spark New Zealand	1.05%

## Current Asset Allocation

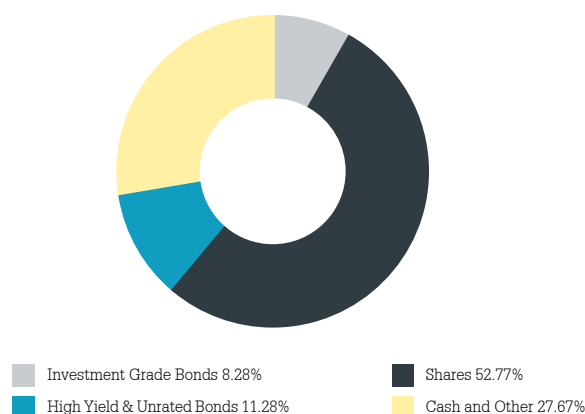
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	27.28%	6.00%
New Zealand Fixed Interest	3.66%	4.00%
International Fixed Interest	15.90%	10.00%
New Zealand Equities	22.08%	32.00%
Australian Equities	9.72%	26.00%
International Equities	20.97%	22.00%
Other	0.39%	0%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
Cybg Plc 8% 2049	1.65%
Westpac Banking Corporation 5% 2027	1.24%
Crown Resorts Float 2075	0.99%
ASB Bank 5.25% 2026	0.71%
Credit Suisse Group 7.5% 2023	0.71%
Barclays 5.875% 2024	0.65%
Cybg Plc 5% 2026	0.59%
Rabobank 4.625% 2025	0.58%
Lloyds Banking Group 6.375% 2049	0.55%
Lloyds Banking Group 7.5% 2024	0.54%

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

## Fund Portfolio Mix



**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.** This is based on the performance of the AonSaver AMT Milford Aggressive Fund until 31 March 2010 and the Milford KiwiSaver Active Growth Fund from 1 April 2010. 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-ks](http://milfordasset.com/fact-sheet-ks) for more information about the data published within this document.

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