

Trans-Tasman Equity Fund

Portfolio Investment Entity

Quarterly Fact Sheet as at 31 December 2018



Portfolio Managers



Sam Trethewey
Portfolio Manager



Wayne Gentle
Portfolio Manager

The Fund fell 8.4% over the December quarter. In early October global equity markets experienced a rapid shift to a risk-off tone and our local equity markets were not immune. The NZX 50 Gross Index fell 5.8% over the quarter, while the ASX 200 fell 8.2%. The volatile market environment, particularly in October and November, did not reward stock selection, rather performance was determined by a flight to defensive exposures.

The Fund became more defensively positioned over the quarter. We reduced our exposure to the Australian market and our cash level was at 5.8% as at 31 December. At a stock level, we reduced cyclical exposures such as Boral and Fletcher Building and growth orientated exposures such as Fisher & Paykel Healthcare where we see downside risk to earnings or stretched valuations. Cash was deployed into defensive names such as Meridian Energy and toll road operator Transurban. The volatility did also create opportunities to add to select growth exposures like a2 Milk at very attractive prices.

Stock highlights for the Fund included gold miner Evolution Mining (+39.2%), Mainfreight (+3.0%) and a minimal exposure to Fletcher Building (-25.4%). Evolution benefitted from gold's rally as a place of safety while Mainfreight reported a very strong result driven by large improvements in the US and European operations. Fletcher Building indicated at its annual meeting that it expects the first half 2019 profit to come in 10% below last year, the Fund added to its holding after the update and then reduced the position following the sale of its Formica division in December. Our holding in Gentrack was a key detractor over the quarter (-27.8%). The company reported a result in line with market expectations but

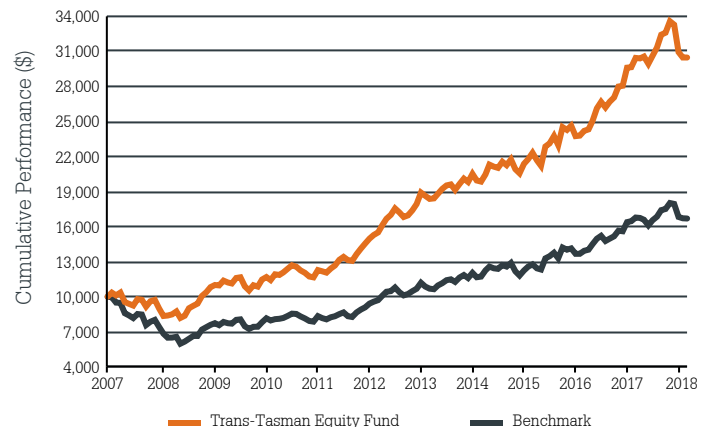
warned the near-term outlook is clouded by Brexit uncertainty. We believe the Gentrack's medium-term prospects remain intact and held our position.

Looking ahead, the Fund remains more defensively positioned. We expect the local markets to remain volatile driven by global macro events. The progress of US-China trade discussions and rhetoric from the US Federal Reserve will be important for global equity markets in the short term. Locally we remain watchful of slowing local property markets and the implications of slowing Chinese economic growth for many Australian companies.

Like the standout returns of Trade Me and a2 Milk in 2018 (+47.3% and +38.2% respectively), we believe some stocks will offer the opportunity generate significant returns in 2019 regardless of market conditions. We will continue to work hard to identify them.

Cumulative Fund Performance

(after fees and before tax)



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

Key Fund Facts

Objective¹	Capital growth by out-performing a mix of two relevant share market indices over a minimum of five years
Description	Primarily invests in Australasian equities
Target Allocation	5% Income Assets / 95% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$307.5 M
Buy-sell Spread	None
Inception Date	1 October 2007

Current Distribution	1.5 cents per unit (Biannually)
Benchmark	50% x S&P/ASX 200 Accumulation Index (100% NZD-hedged) + 50% x S&P/NZX 50 Gross Index
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	1.05%
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: \$2.5234

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Trans-Tasman Equity Fund (Gross Of Tax)	-8.44%	-6.01%	0.11%	10.94%	10.65%	10.41%
After Tax 10.50%	-8.66%	-6.34%	-0.25%	10.52%	10.18%	9.95%
After Tax 17.50%	-8.81%	-6.56%	-0.49%	10.24%	9.87%	9.71%
After Tax 28.00%	-9.03%	-6.88%	-0.85%	9.82%	9.41%	9.30%
Benchmark	-6.95%	-4.10%	-0.49%	9.34%	9.32%	4.66%

Top Security Holdings

Holdings	% of Fund's NAV
a2 Milk Company	7.57%
Commonwealth Bank	4.52%
BHP Group	4.14%
Spark New Zealand	3.77%
Fisher & Paykel Healthcare	3.75%
Auckland Airport	3.70%
Contact Energy	3.59%
Mainfreight	3.06%
Westpac Banking Corp	2.87%
National Australia Bank	2.79%

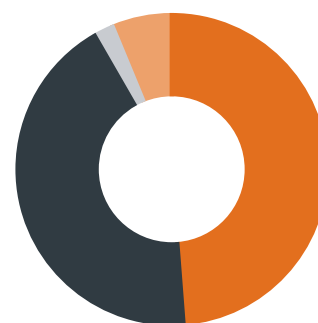
Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	5.80%	5.00%
New Zealand Fixed Interest	0.00%	0%
International Fixed Interest	0.00%	0%
New Zealand Equities	48.93%	47.50%
Australian Equities	44.83%	47.50%
International Equities	0.00%	0%
Other	0.44%	0%

Sector Exposure

Allocation	Weight %
Financials	14.29%
Health Care	13.80%
Industrials	13.45%
Materials	11.98%
Consumer Staples	9.11%
Consumer Discretionary	8.74%
Utilities	7.32%
Communication Services	4.81%
Other Sectors	10.26%
Cash and Other	6.24%

Country Exposure



■ New Zealand 48.78%
 ■ Australia 42.90%
 ■ International 2.08%
 ■ Cash and Other 6.24%

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. Assumes the reinvestment of distributions. 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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