Milford KiwiSaver Plan Monthly Review
March 2019

Market and Economic Review

February was a positive month for share markets with the NZX 50 appreciating 3.8%, the ASX 200 up 6.0%, the US S&P 500 Index rose 3.2% and the MSCI World Index gained 3.3%, in local currency terms.

The positive performances were due to several factors including; statements from the US Federal Reserve Bank indicating that interest rate rises could be on hold for a while, encouraging comments on the outcome of US/China trade negotiations and reasonably positive profit announcements.

Earnings reports during the month were satisfactory but didn't seem to justify the widespread increase in share prices. The positive market response clearly showed that investors were relieved that most companies continued to experience favourable trading conditions.

The NZX 50 Gross Index had more positives than negatives during the month, with 37 of the 50 stocks appreciating in value.

The best performing stocks were Fisher & Paykel Healthcare (+17.0%), Synlait Milk (+13.9%) and a2 Milk (+13.1%). The worst performing were Sky Network Television (-22.8%), Air New Zealand (-12.1%) and Fonterra Shareholders' Fund (-12.0%).

Two other notable share price performances during February were Fletcher Building (-2.2%), a company that continues to report disappointing figures, and Vista Group (+12.8%), which issued upbeat guidance.

The ASX also had a strong month as it benefited from rising iron ore prices, economic stimulus in China and a relatively benign banking Royal Commission. ANZ Bank shares appreciated during the month (+11.9%), CBA (+10.0%), NAB (+5.3%) and Westpac (+9.8%). Reflecting this, the ASX 200 Financials Sector Index gained 9.5% in February.

Milford funds didn't fully participate in the market rallies for several reasons including; they were underweight the Australian banks, they had relatively high cash holdings following the weak December quarter and several of our smaller Australian company holdings had disappointing results.

In keeping with the last twelve months we expect markets to remain volatile.

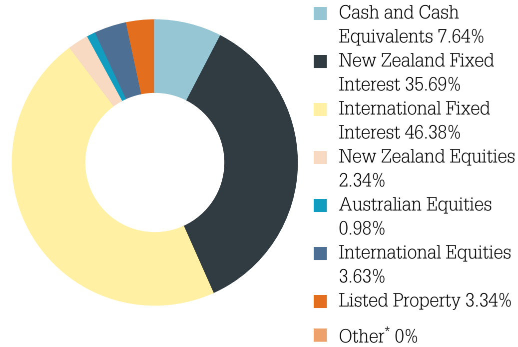
Milford will be focusing on individual company performances, general economic activity, interest rate developments and geo-political activity, particularly in China and the United States.

In general, we expect conditions to remain reasonably favourable for equities although we will be watching closely for any negative developments.

Conservative Fund

Portfolio Manager: Paul Morris

Actual investment mix[1]



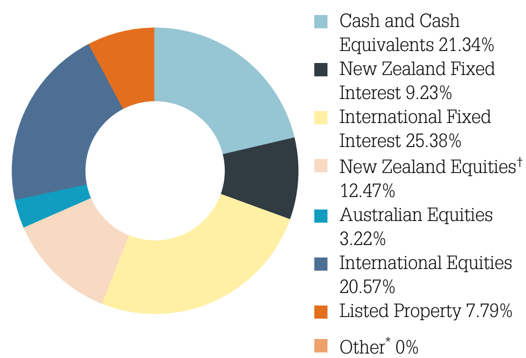
Market sentiment continues to benefit from the shift by major global central banks to a more supportive monetary policy outlook. This underpinned strong returns across the fixed interest and share asset classes into which the Fund is invested, contributing to a return of 0.9% in February.

Immediate risks have also receded with positive developments in the US-China tariff negotiations and a lower chance of a hard Brexit in March. This has improved the near-term backdrop for risk taking, however looking further out we believe it remains prudent to retain moderately cautious positioning in the context of the Fund's conservative risk profile.

Monetary and fiscal policy actions may offset evidence of a global growth slowdown, but valuations across myriad asset classes are not noticeably cheap. Moreover, irrespective of policy support we may see further bouts of market volatility. Therefore, the Fund has kept a lower share exposure than its long term normal and has limited interest rate exposure. This meant less benefit from the recent share market recovery. That was partially offset by reasonable returns from the Fund's corporate bonds, the majority of its fixed interest, which outperformed government bonds. Central bank policy should support a moderate Fund return outlook but we will be watching for signs of inflation which would be a negative risk.

Balanced Fund

Portfolio Manager: Mark Riggall

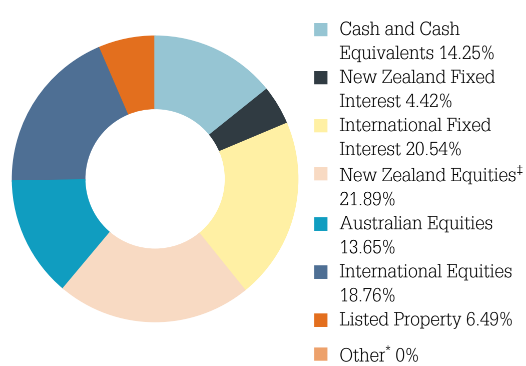


The Fund returned 1.6% in February, with a 1-year return of 4.1%. Global share markets continued to rise, albeit at a slower pace than in January. This drove positive performance for the Fund as shares were higher whilst market interest rates were largely unchanged and corporate bond prices improved. Global shares rallied as investors were encouraged by the chance of a trade deal between the US and China. Australian shares performed well, despite some poor company results in the month. This was due to a soft conclusion to the Royal Commission into banking and iron ore price strength boosting the miners.

NZ company earnings reports were reasonable and gave us confidence in increasing our holdings in Spark, a2 Milk and Contact Energy. Looking ahead, many of the reasons to be cautious have or are being resolved, for example the trade wars and a tightening US central bank. However, global economic growth continues to weaken. Market valuations have recovered and are now moderately elevated, especially given the backdrop of falling expectations for company earnings growth. A more balanced outlook for interest rates is supportive. As a result, the Fund has added back some share market exposure and increased currency exposure to NZ and Australian dollars. Going forward we remain moderately cautious and continue to expect large swings in asset prices, both up and down.

Active Growth Fund

Portfolio Manager: Jonathan Windust



The Fund rose 1.1% in February as share markets continued their recovery; New Zealand was up 3.8%, Australia rose 6.0% and global markets were up 3.3%. Shares benefited from improved risk appetite and positive developments in the US and China trade negotiations. The Australian market was boosted by a benign outcome to the Bank sector review, strong resource prices and the prospect of lower interest rates.

The Fund lagged the performance of share markets due to its more conservative positioning with regard to the weight in shares and the performance of our Australian companies. Key positives during the month were a2 Milk (+13.1%) and Vista Group (+12.8%) in New Zealand, Goodman Group (+9.8%) in Australia and Visa (+9.9%) in the United States. a2 Milk benefited from strong first half results (profit up 55%) and a strong growth outlook.

The short-term outlook for shares remains uncertain due to concerns over slowing global growth, trade wars, falling house prices in Australia and Brexit with key positives being relatively low interest rates and high levels of liquidity. During the month we increased our holdings in select shares and fixed income investments which we believe have attractive risk/reward trade-offs, however, we remain cautious with a lower than average weight to shares and a higher weight to cash than normal.

†Includes unlisted equity holdings of 0.31% ‡Includes unlisted equity holdings of 2.14% *Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Milford KiwiSaver Plan Monthly Review as at 28 February 2019

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Conservative Fund	0.92%	4.20%	6.39%	8.00%	9.14%	1.7266	87.8 M
Balanced Fund	1.61%	4.12%	9.03%	9.36%	9.84%	2.2283	259.3 M
Active Growth Fund	1.14%	4.78%	10.48%	10.21%	12.40%	3.5559	1,151.7 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance.
Performance figures are after total Fund charges* have been deducted and at 0% PIR.
Please note past performance is not a guarantee of future returns.
*Total Fund charges do not include the $36 p.a. Administration and Registry fee.
Inception dates for the Funds: Active Growth Fund: 1 October 2007^, Balanced Fund: 1 April 2010, Conservative Fund: 1 October 2012.
^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.

Key Market Indices

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
S&P/NZX 50 Gross Index (with imputation credits)	3.81%	12.57%	15.73%	14.73%	17.34%
S&P/ASX 200 Accumulation Index (AUD)	5.98%	7.05%	12.91%	7.30%	10.05%
S&P/ASX 200 Accumulation Index (NZD)	5.26%	3.60%	11.53%	6.88%	6.87%
MSCI World Index (local currency)*	3.34%	2.54%	12.49%	8.06%	10.63%
MSCI World Index (NZD)*	4.84%	6.43%	11.41%	11.09%	12.54%
S&P/NZX 90-Day Bank Bill Rate	0.15%	2.00%	2.12%	2.63%	2.65%
Bloomberg Barclays Global Aggregate Bond (USD-Hedged)	0.15%	3.97%	2.50%	3.30%	3.23%
S&P/NZX NZ Government Bond Index	0.59%	6.36%	3.90%	5.33%	4.53%

*With net dividends reinvested

Top Security Holdings (as a percentage of the Fund's Net Asset Value)

Conservative Fund	Balanced Fund	Active Growth Fund
ANZ 2.9% 2019 3.11%	iShares MSCI EAFE Min Vol ETF 2.60%	Contact Energy 4.18%
NAB Float 2024 3.05%	Contact Energy 2.51%	iShares MSCI EAFE Min Vol ETF 3.20%
ASB Bank 6.65% 2024 2.92%	a2 Milk Company 1.48%	a2 Milk Company 2.23%
Westpac Float 2022 1.83%	Spark New Zealand 1.44%	Spark New Zealand 2.19%
Christchurch City 3.58% 2024 1.60%	Meridian Energy 1.17%	CYBG 8% 2049 1.72%
NZ Govt. Inflation Indexed 2% 2025 1.42%	ANZ Bank Float 2022 0.96%	Westpac 5% 2027 1.51%
ANZ Bank Float 2022 1.42%	Transurban Group 0.91%	Aristocrat Leisure 1.42%
QBE 6.75% 2044 1.41%	Wellington Global Health Care 0.91%	Delegat Group 1.35%
ASB Bank Float 2022 1.38%	Vontobel Sust. EM Leaders 0.90%	ANZ Bank Float 2022 1.32%
Investore Property 4.40% 2024 1.24%	ASB Bank 5.25% 2026 0.87%	Unibail-Rodamco-Westfield 1.23%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Milford staff have approximately $9.8 million invested in the Milford KiwiSaver Plan as at the end of February 2019.

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Milford wins Morningstar's 2019 KiwiSaver Fund Manager of the Year

Milford is delighted to have won the Morningstar KiwiSaver Fund Manager of the Year Award for the fifth time in the past seven years.

According to Morningstar *"the winner in this category is the provider that offers the best solution for New Zealanders' retirement savings needs"*.

Morningstar KiwiSaver Fund Manager of the Year Award

Year	Winner	Finalist
2019	Milford	Milford
2018	Milford	Milford
2017		Milford
2016	Milford	Milford
2015		Milford
2014	Milford	Milford
2013	Milford	Milford
2012		Milford

There are usually 3 finalists each year.

The winner is determined through a combination of qualitative and quantitative research by leading investment research company Morningstar. The award is based on;

- Fund manager transparency and disclosure
- Investor experience
- Performance
- Fees

As far as the 2019 award is concerned Morningstar had this to say.

"Milford Asset Management continues to lead the way in KiwiSaver. The firm adopts a very active approach to asset allocation, which it has used to great effect over the long term. It's not easy to consistently make the right macro calls, but Milford has shown a knack for being right more often than not. The firm has one of the biggest investment teams with a great mix of bottom-up research and intelligent macro insights and is a standard bearer for its focus on timely and transparent information."

"It richly deserves our KiwiSaver Award."

consumer. PEOPLE'S CHOICE Milford KiwiSaver Plan

Consumer NZ People's Choice Award – KiwiSaver

MORNINGSTAR Awards 2019

Morningstar Fund Manager of the Year – KiwiSaver Category, NZ

FundSource Awards 2018

FundSource 2018 KiwiSaver Manager of the Year

Level 28, 48 Shortland Street, Auckland
PO Box 960, Shortland Street, Auckland 1140
Free phone **0800 662 346**
milfordasset.com

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