MILFORD

Milford Investment Funds Monthly Review
May 2020

Market and Economic Review

Global financial markets have begun to reflect optimism that the worst of the virus is over and have recovered sharply from their losses in March. Accordingly, Fund returns are strong in April.

Although the toll on healthcare systems around the world has been significant, the direst predictions appear to have been avoided. Social distancing has slowed the spread of the virus and governments are beginning to relax some of the more extreme lockdown measures.

Furthermore, actions by governments and global central banks has provided stimulus and restored functioning of debt markets, helping ensure that companies have access to funding.

These positives have emboldened investors to buy shares, reversing a large portion of the previous losses. However, there remains significant risks:

- Economic data is revealing the extent of the damage to economies and company earnings.
- Whilst the spread of the virus is slowing, a vaccine is a long way off. Life, and economic activity, will remain impaired for some time.
- A war of words is emerging between the US (and others) and China over blame for the virus, increasing geopolitical risk.

These risks and the ongoing uncertainty keep our Funds defensively positioned with reduced exposure to growth assets such as shares. Government bond yields are already very low (i.e. prices high) and share markets are elevated against the backdrop. The outlook is likely to see ongoing swings up and down as we have previously outlined.

Milford invests in companies, not markets. The current environment will see winners and losers emerge. The investment team is focussed on evaluating companies on their own merits, assessing current asset prices in the context of both near-term challenges and the longer-term outlook.

One theme emerging out of the crisis is the ‘accelerating trend to digital’ as people socialise, shop, entertain themselves and work over the internet. Milford’s Global Team has been finding opportunities in this theme for our Funds to invest in and shares of tech companies have been outperforming. See the Global Fund commentary or insights video for more information.

In local markets the dominant theme has been companies raising capital from share investors. Similarly, here we have been evaluating the merits of each of those deals and investing appropriately. We expect more companies will require capital in the coming months, and this could provide some excellent long-term investment opportunities.

The environment is highly uncertain, creating volatility but also opportunity. We continue to be active, focussing on the opportunities to invest to deliver strong long-term investment returns.

Conservative Fund

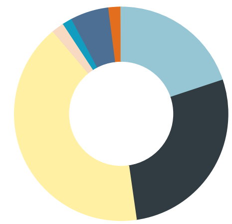
Portfolio Manager: Paul Morris

A wave of extraordinary policy action, coupled with signs economies may be coming out of lockdown, has helped both share and corporate bond markets recover some of March's weakness. This was to the Fund's benefit, noting its bond holdings are primarily corporate bonds (albeit exposure to government/government related bonds has been increased). The market recovery contributed to the Fund regaining some value in April, up 2.5% in the month, equating to a 1-year return of 3.4%.

Mindful of its conservative risk profile, the Fund had started the month with a very cautious risk setting; significantly less shares, less lower rated corporate bonds and more cash than its long run neutral. As the breadth of the unprecedented fiscal and monetary policy response became evident, we did slightly reduce cash holdings by increasing exposure to both shares and corporate bonds. These additions were focused in shares and corporate bonds of companies with resilient balance sheets which operate in defensive sectors. They are therefore better equipped to deliver reasonable medium-term returns, especially when supported by ongoing central bank support.

Looking forward, until there is improved clarity as to the duration and impact of the economic shutdowns our focus will remain more on attempting to limit capital losses, even if that means missing out on some market upside. Therefore, for now the bar is still set reasonably high to materially add further to the Fund's risk settings.

Actual investment mix [1]



The actual cash held by the Fund is 8.97%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

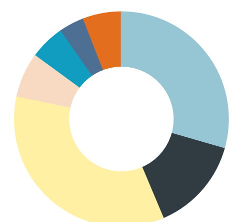
Diversified Income Fund

Portfolio Manager: David Lewis

The Fund gained 3.2% in April, as markets rebounded, and is now showing a small positive return for the past year. Markets were strong across most asset classes, especially shares and corporate bonds. The Fund was very active in changing positioning this month, as was the case in February and March, activity was well above normal levels.

In April this was across three key areas. Firstly, we further reduced the Fund's holdings of select high-yield corporate bonds where we see current return as poor relative to risk. Secondly, the Fund invested in several capital raisings both in bonds and equities. These provide an attractive source of returns given they are typically priced attractively relative to other investments (in uncertain times companies need to offer more generous discounts to raise capital). Finally, as the outlook for the virus improved somewhat, and the depth of policy support increased, the Fund increased its investment exposure. This was through offshore derivative markets - specifically in corporate bonds and US / Australian equity futures, where the Fund reversed (and hence locked in gains from) protection strategies that were deployed in February and early March. Together, these led to an increase in the Fund's share exposure this month to 22%, from 12%, while cash was relatively stable, now at 16%.

Looking ahead, despite the improved news on the virus, this remains a highly uncertain time for economies and markets. Given this we have been surprised how strongly some shares have recovered in April, leading to more stretched valuations in some cases. Our strategy remains cautious.



The actual cash held by the Fund is 16.14%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*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.

Balanced Fund

Portfolio Manager: Mark Riggall

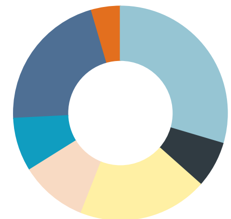
Global share markets rebounded strongly in April, helping the Fund deliver a return of 5.2% for the month, 1-year returns stand at 2.9%. The Fund has been retaining a defensive stance with a lower exposure to shares.

In April, investors expressed optimism that the worst of the virus was over as lockdowns reduced the spread. Our view remains that we are in the early stages of this outbreak and economic activity will be impaired for a long time, notwithstanding that we are already experiencing an economic slowing at a faster pace than we saw during the Global Financial Crisis. Accordingly, we have reduced share exposure in the Fund across the US and Australia.

The performance in April was boosted by good stock selection across all regions where the Fund is invested. We see good opportunity in understanding the vastly differing outlook for various companies, assessing that against the value on offer and investing accordingly. For the Balanced Fund, this means investing through the underlying Milford funds whilst maintaining a defensive overall stance.

On the bond side the preferred exposure is through company bonds where there is extra return on offer and market support from global central banks. Market interest rates are already at very low levels, therefore government bonds offer little utility as defensive holdings. Protection from further volatility will come from reduced share exposure and appropriate stock selection.

Actual investment mix [1]



The actual cash held by the Fund is 14.27%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Active Growth Fund

Portfolio Manager: Jonathan Windust

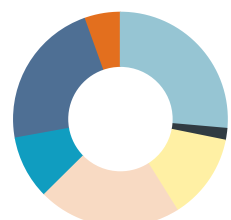
The Fund rose 6.6% in April and benefitted from the rebound in share and fixed income markets. The NZ, Australian and global share markets ending up 7.5%, 8.8% and 10.5% respectively. Share markets reacted positively to enormous stimulus measures from governments and central banks aimed to help cushion the negative impacts from the coronavirus. We were pleased to largely keep up with the markets' performance during the month despite being defensively positioned with higher levels of cash. Performance was aided by good company selection.

Key positives during the month included companies which rebounded from sharp falls last month including NZ retirement company Summerset (+11.9%), US home Builder DR Horton (+38.9%) and Australian real estate company Scentre Group (+48.9%). The Fund's US technology investments also continued to perform strongly including Google (+16.0%), Microsoft (+13.6%) and Apple (+15.5%). We believe these large cap technology companies are structural winners given their strong market positions in attractive and growing markets. In particular we believe the cloud infrastructure and related services is likely to continue to grow strongly with growth potentially accelerated by work from home trends. Gold companies also performed strongly during the month.

The Fund was very active during the month with opportunities created by market movements and new issues. Generally, we added to structural winners and more defensive companies whilst taking profits on some of the companies which had rebounded strongly towards the end of the month. The Fund participated in the discounted issues of companies looking to shore up their balance sheets including Auckland Airport, Kathmandu, Flight Centre and National Australia Bank. These rose strongly with Kathmandu ending up 58% from its issue price.

In the short-term markets are likely to remain volatile given the very uncertain impact of the coronavirus on economies, company earnings and valuations. However, the medium-term impact on company earnings and valuations is lower with many companies' earnings likely to rebound strongly and some even benefiting. The Fund contains a mix of company investments including structural winners, defensive companies and those which have been oversold on short-term issues. In aggregate, however, the Fund remains cautious given the uncertain environment with a lower allocation to shares and higher allocation to cash than typical. We remain excited that this market will provide great opportunities for active management.

Please note this Fund is closed to new investors.



The actual cash held by the Fund is 8.70%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

†Includes unlisted equity holdings of 0.24% ‡Includes unlisted equity holdings of 1.57% *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.

Australian Absolute Growth Fund

Portfolio Manager: William Curtayne & Wayne Gentle

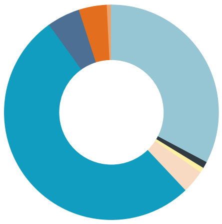
Markets recovered strongly in April with the Fund performing well and returning 7.6% in April, bringing returns over the last 12 months to 6.7%. We were pleased with the Fund's April performance compared to the 8.8% return by the ASX 200 given our continued defensive positioning. We were able to largely keep up due to the strong performance of our gold miners (up 23% on average) and from Sealink (+21.5%), The a2 Milk Company (+9.8%) and Transurban (+14.6%).

Australia has done a good job controlling the spread of the virus and is well placed to ease restrictions in the coming months. In anticipation of this we purchased a collection of businesses that should perform positively as peoples' lives begin to revert to normality. These include Transurban, Tabcorp, Wesfarmers and some of the major banks.

The outlook for banks will be clouded by a degree of uncertainty until this economic crisis is over, however, we feel the market has been pricing in some very negative outcomes and the banks offer reasonable value if the economic outcome is less severe than predicted. We will be closely monitoring developments in the housing markets, as a substantial housing decline would lead to larger loan losses in the medium term than our current expectations.

The overall emphasis remains focussed on capital preservation given the economic uncertainty and our view on the potential duration of this downturn. But as usual we will continue to search and invest in compelling stock specific opportunities while controlling overall portfolio risk.

Actual investment mix [1]



The actual cash held by the Fund is 21.06%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

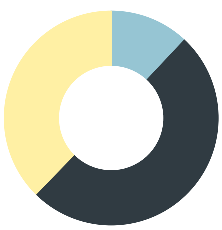
Trans-Tasman Bond Fund

Portfolio Manager: Paul Morris

A wave of central bank intervention in bond markets, coupled with government support packages, enabled Australasian bond markets to recover a semblance of normalcy. The intervention has been very impactful in New Zealand where the central bank kept buying a sizable proportion of the government bond market even as yields fell. It also expanded into buying bonds of the Local Government Funding Agency. This pushed these bond prices higher (yields lower) and had a halo effect on other highly rated corporate bonds, such as bank senior bonds which have recovered from weakness.

In Australia central bank buying has been proportionately smaller, with a focus on keeping 3-year government bond yields at 0.25%, and the market rally muted but generous bank funding facilities has enabled bank senior debt and other high rated bond prices to rise. The Fund was exposed to these sectors and also held more interest rate exposure than neutral/benchmark which supported a recovery in value more than its benchmark.

The Fund was up 1.4% in April and is up 4.9% over 1-year. It has yet to recover all of the March underperformance as several sectors of the market have lagged. Some of this is justified but for many exposures we believe prices should recover further as investors look for returns in a low (or even negative) interest rate environment. Looking forward, central bank support should underpin moderate Fund returns but given an uncertain backdrop it is prudent to retain a cautions exposure to lower rated bonds.



The actual cash held by the Fund is 3.16%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*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.

Global Corporate Bond Fund

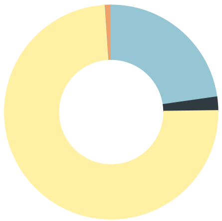
Portfolio Manager: Paul Morris

Global bond market functioning improved on the back of previously unimaginable levels of monetary policy intervention. This combined with a wave of government fiscal support programmes has removed much of the immediate liquidity crunch facing government and corporate borrowers. The result has been lower bond yields across most markets (lower yields mean higher prices) which supported a recovery in the Fund's value (2.7% in the month and now 3.5% over 1-year). That was a lower return than its benchmark this month, handing back some recent strong outperformance, as Fund positioning remains cautious given the extremely uncertain economic and company earnings outlook.

The Fund retains a lower than neutral (and benchmark) exposure to high-yield bonds as leverage generally remains high in the context of many challenged sectors (e.g. retail and energy) meaning defaults may be frequent. We have however added exposure to several attractively priced high-quality investment grade bonds which should see prices supported by central bank buying.

Looking forward, we retain cautious settings until there is more clarity on the medium and long term outlook for company earnings. Central bank support (zero or negative interest rates and bond buying) leads us to retain slightly longer than neutral interest rate exposure and should ensure corporate bonds of companies with resilient balance sheets will deliver a reasonable medium-term return.

Actual investment mix [1]



The actual cash held by the Fund is 5.36%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Cash Fund

Portfolio Manager: Paul Morris

The Reserve Bank of New Zealand (RBNZ) has introduced multiple funding programmes to underpin liquidity in money markets. Coupled with its quantitative easing (bond buying) programme some normalcy has therefore returned to market functioning.

Nevertheless, given the ongoing uncertain backdrop the Fund has retained its focus on liquidity, diversification and higher credit quality exposures. We reiterate previous guidance that this cautious Fund strategy and the now lower Official Cash Rate (OCR) are likely to result in lower absolute Fund returns over the near and medium term. It should however maximise liquidity and protect capital given the uncertain backdrop.

Looking further out, we believe the risk remains that the RBNZ may yet cut the OCR below zero. If that was realised, then it would further weigh on Fund returns but we believe most of the Fund's investable universe would likely (at least initially) still retain non-negative interest rates.

*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.

Global Equity Fund

Portfolio Manager: Felix Fok

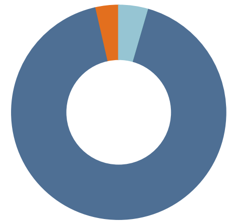
The Fund gained 8.9% in April, outperforming the benchmark which was up 8.4%. The strengthening of the NZ dollar against offshore currencies was a headwind for the Fund in April. Technology holdings once again performed strongly. The impact of self-quarantine policies and social distancing rules have increased the reliance on the services of some of the big tech companies.

Key positive contributors included Amazon (+26.9%), backing up the strong outperformance in March as more investors buy into the 'Working From Home' trend. Amazon has exceeded expectations in 2020 and the performance has been astonishing, up 33.9% year to date. Importantly, Amazon still has ample growth opportunities from its marketplaces, cloud services and advertising businesses. Another strong performer was PayPal (+28.5%), a technology platform that enables digital and mobile payments on behalf of consumers and merchants. PayPal is well positioned, as COVID-19 has accelerated the ongoing shift toward electronic payments and the rise of e-commerce.

Detractors from performance included Japanese healthcare company Terumo (-4.0%), while luxury company Kering (-3.3%) has been hurt by store closures. Although Kering faces uncertainty over near-term business activity, the company has plenty of long-term growth potential given its strong brands (led by Gucci). We are also attracted to the sustainability focus of Kering, having recently been recognised as one of the world's most sustainable companies.

The economic backdrop remains challenging given the global spread of the virus. We expect volatility in the short term given uncertainty on the breadth, depth and duration of the disruption. The portfolio remains focused on our key investment themes and dominant companies.

Actual investment mix [1]



The actual cash held by the Fund is 5.47%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Trans-Tasman Equity Fund

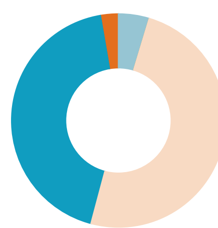
Portfolio Manager: Sam Trethewey & Wayne Gentle

The Fund bounced back strongly in April, returning 9.2%. The Fund return compares to a 7.5% return for the NZX 50 index and a 8.8% return for the ASX 200 index.

Outside of the general risk-on tone this month, large stock movements were driven by capital raisings. Nearly $1.6bn of capital was raised by NZX 50 companies to address immediate cashflow issues created by COVID-19 and multiples more was raised on the ASX. The Fund participated in several of the deals as in each case the capital raising removed the immediate cash flow or balance sheet risk for the company. These included: Auckland Airport, National Australia Bank and Kathmandu. Throughout March investors had been attempting to second guess which companies would raise equity and had discounted the share prices accordingly. With Auckland Airport, it will not be until later this year at the earliest before anyone knows what the post COVID-19 business looks like, the valuation was reasonable at the deal price and removed the immediate balance sheet risk. We trimmed some of our holding later in the month.

Elsewhere key contributors included Collins Foods (+35.8%), Xero (+17.1%) and a2 Milk (+14.2 %). Both Collins Foods and Xero rallied after being heavily sold in March. a2 Milk provided FY20 guidance above consensus driven by pantry stocking and margin tailwinds. On a relative basis, headwinds came from SkyCity (+42.2%) and Air New Zealand (+58.2%). Both benefited from improved sentiment after being sold heavily in March. We believe the capital position and earnings outlook for both remains highly uncertain due to COVID-19.

We expect the local equity markets to remain volatile in the coming months given the evolving implications of the virus. However, the Fund invests in companies not markets. We will continue to remain very active, ensuring the Fund is positioned in companies where the medium-term prospects are attractive. We have retained our bias towards quality growth exposures (like a2 Milk, CSL and Mainfreight) and defensive exposures with strong balance sheets (like Spark). We continue to avoid companies where we see stretched balance sheets, earnings or valuation risk.



The actual cash held by the Fund is 5.82%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*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.

Dynamic Fund

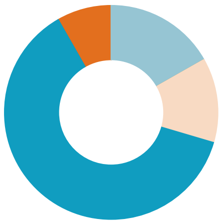
Portfolio Manager: William Curtayne & Michael Higgins

Global equity markets bounced back in April as COVID-19 optimism provided some relief following last month's sharp correction. The Fund returned 13.6% for the month, behind the S&P/ASX Small Ordinaries Index which rallied 14.7%. While our cautious positioning provided a degree of cash drag, we were very pleased to keep up with the index with a less risky portfolio.

Performance was led by gold miners Evolution and Saracen which rallied 33.8% and 18.3% respectively. KFC restaurant owner Collins Foods also performed well rallying 35.8%. We think KFC restaurant earnings will have some resilience given i) drive-through, takeaway and delivery contribute a clear majority of sales, ii) many SME restaurants remain under pressure and in many cases are closed leading to likely market share gains and iii) people still crave a cheap luxury as we all slowly emerge from isolation. Underperformers included Metcash (-20.9%) which surprised with a recapitalisation equity raise and Fisher & Paykel Healthcare lagged 9.8% following a stellar performance over February/March.

We have entered May with elevated cash in the Fund, believing better opportunities to deploy capital on the long side will present themselves in the coming months ahead. As active stock pickers, we think volatile equity market environments will deliver increased opportunities to generate outperformance.

Actual investment mix [1]



The actual cash held by the Fund is 16.27%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Upcoming Distributions	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	16/07/2020
Diversified Income Fund	1.1 cents (Quarterly)	21/05/2020
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	18/06/2020
Global Corporate Bond Fund	0.45 cents (Quarterly)	18/06/2020
Trans-Tasman Equity Fund	1.5 cents (Biannually)	17/09/2020

*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 Investment Funds Monthly Review as at 30 April 2020

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Multi-Asset Funds							
Conservative Fund*	2.55%	3.44%	5.01%	—	5.86%	1.1548	436.5 M
Diversified Income Fund*	3.15%	1.15%	5.62%	7.54%	10.42%	1.7063	2,172.5 M
Balanced Fund	5.23%	2.89%	6.18%	6.98%	9.17%	2.3320	729.5 M
Active Growth Fund#	6.64%	1.51%	7.79%	8.37%	11.63%	3.7253	1,103.7 M
Australian Absolute Growth Fund	7.59%	6.66%	—	—	4.49%	1.0963	179.9 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	1.41%	4.87%	4.90%	4.73%	5.48%	1.1760	729.3 M
Global Corporate Bond Fund*^	2.70%	3.46%	3.76%	—	4.31%	1.0523	692.1 M
Cash Fund	0.04%	1.60%	—	—	1.67%	1.0195	145.0 M
Equity Funds							
Global Equity Fund†	8.85%	5.50%	7.64%	6.55%	7.88%	1.6908	735.0 M
Trans-Tasman Equity Fund*	9.24%	5.23%	10.92%	11.60%	10.81%	2.9528	420.4 M
Dynamic Fund	13.62%	2.56%	8.39%	7.66%	10.31%	1.8870	274.5 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.
Inception dates for the Funds: Active Growth Fund: 1 October 2007, Trans-Tasman Equity Fund: 1 October 2007, Balanced Fund: 1 April 2010, Diversified Income Fund: 1 April 2010, Global Equity Fund: 12 April 2013, Dynamic Fund: 1 October 2013, Trans-Tasman Bond Fund: 2 December 2013, Conservative Fund: 1 September 2015, Global Corporate Bond Fund: 1 February 2017, Australian Absolute Growth Fund: 1 March 2018, Cash Fund: 1 March 2019.
*Performance figures include the reinvestment of the Funds' distribution.
^Returns prior to 1 March 2018 are from when the Fund was previously offered to wholesale investors only and have been adjusted for current Fund charges.
†Returns prior to 1 October 2018 are from when the Fund was structured to achieve an absolute return.
#The Active Growth Fund is closed to new investors.

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)	7.51%	6.06%	13.73%	13.97%	13.82%
S&P/ASX 200 Accumulation Index (AUD)	8.78%	-9.06%	1.92%	3.46%	5.38%
S&P/ASX 200 Accumulation Index (NZD)	11.91%	-8.56%	1.06%	3.96%	3.42%
MSCI World Index (local currency)*	10.51%	-3.77%	4.98%	5.32%	8.07%
MSCI World Index (NZD)*	6.59%	3.77%	8.80%	9.43%	12.03%
S&P/NZX 90-Day Bank Bill Rate	0.07%	1.46%	1.81%	2.16%	2.45%
Bloomberg Barclays Global Aggregate Bond (USD-Hedged)	1.62%	8.25%	4.97%	3.93%	3.80%
S&P/NZX NZ Government Bond Index	2.72%	8.49%	6.39%	5.52%	4.77%

*With net dividends reinvested

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

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund	Active Growth Fund	Australian Absolute Growth Fund
Bank Of China 2.4% 2020 1.86%	Transurban Group 2.09%	Spark New Zealand 1.69%	a2 Milk Company 4.09%	National Australia Bank 6.84%
NZLGFA 1.5% 2029 1.50%	Spark New Zealand 2.03%	a2 Milk Company 1.66%	Spark New Zealand 3.38%	Westpac Banking Corp 5.32%
Housing NZ 3.36% 2025 1.33%	Contact Energy 1.56%	Alphabet 1.41%	Fisher & Paykel Healthcare 3.34%	Woolworths 5.17%
John Deere 1.75% 2024 1.24%	United States Treasury 0% 2020 1.48%	Contact Energy 1.37%	Contact Energy 2.97%	Transurban Group 4.77%
Westpac 2.22% 2024 1.17%	Lendlease 4.5% 2026 1.42%	Microsoft Corp 1.30%	Commonwealth of Australia 5.5% 2023 2.25%	Telstra Corp 4.72%
ASB Bank 1.83% 2024 1.15%	Mirvac Group 1.25%	Fisher & Paykel Healthcare 1.18%	Alphabet 1.75%	Evolution Mining 3.67%
ANZ Bank 3.03% 2024 1.04%	Mirvac Group 3.625% 2027 1.21%	Amazon 1.15%	Microsoft Corp 1.73%	Commonwealth Bank 2.96%
Lendlease 4.5% 2026 1.04%	JPMorgan 1.09% 2027 1.17%	Transurban Group 1.11%	Alibaba Group 1.58%	Newmont Mining 2.88%
Synlait Milk 3.83% 2024 0.97%	Westpac 2.59% 2020 1.11%	Apple 1.01%	Summerset Group Holdings 1.51%	IAG 2.87%
ANZ Bank Float 2024 0.95%	NZLGFA 1.5% 2026 1.08%	Alibaba Group 0.94%	Charter Hall Retail 1.25%	Coles Group 2.60%

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).

Cash and Fixed Income Funds

Trans-Tasman Bond Fund	Global Corporate Bond Fund	Cash Fund
NZLGFA 1.5% 2029 3.26%	Seagate 4.75% 2025 1.95%	NZLGFA 0% 2020 6.89%
Housing NZ 3.36% 2025 2.87%	Rabobank 0.875% 2028 1.94%	NZ Government 0% 2020 2.76%
Westpac 2.22% 2024 2.64%	John Deere 1.75% 2024 1.90%	Auckland Airport CD 2020 2.27%
ANZ Bank 3.03% 2024 2.35%	Kerry Group 0.625% 2029 1.84%	Kiwibank 2.1% 2020 2.15%
ASB Bank 1.83% 2024 2.25%	Danaher Corp 0.45% 2028 1.81%	Westpac CMD 2020 2.11%
ANZ Bank Float 2024 2.15%	McDonald's 3% 2024 1.66%	Bank Of China 2.4% 2020 2.08%
Macquarie Group Float 2025 2.03%	Dell 5.85% 2025 1.54%	ANZ 1.44% 2020 2.07%
ING Group 1.45% 2024 1.83%	Citigroup 1.25% 2026 1.54%	NZ Treasury 0% 2020 2.07%
John Deere 1.75% 2024 1.80%	FBG Finance 3.25% 2022 1.51%	Meridian CD 2020 2.07%
Vector 3.45% 2025 1.56%	Aroundtown 4.5% 2025 1.39%	Transpower CD 2020 2.07%

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).

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

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Alphabet 4.75%	a2 Milk Company 10.23%	Saracen Mineral Holdings 4.90%
Microsoft Corp 4.29%	Fisher & Paykel Healthcare 7.88%	Evolution Mining 4.34%
Amazon 4.29%	CSL 6.26%	Collins Foods 3.32%
Apple 3.71%	Spark New Zealand 3.85%	Sealink Travel Group 3.20%
Alibaba Group 2.91%	Mainfreight 3.63%	IPH 3.14%
S&P Global 2.68%	Xero 3.57%	EML Payments 2.94%
Transunion 2.59%	Contact Energy 3.06%	HUB24 2.89%
Paypal Holdings 2.52%	Transurban Group 2.95%	EQT Holdings 2.81%
ASML Holding 2.26%	National Australia Bank 2.93%	Coles Group 2.51%
Taiwan Semiconductor 2.19%	Auckland Airport 2.79%	Bapcor 2.38%

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 and Milford staff have approximately $27.1 million invested across our Investment Funds as at the end of April 2020.

Stephen Johnston
Portfolio Manager

Investment Highlight - Idexx Laboratories

Given my farming background, I have always taken a strong interest in companies involved in agriculture and animal (pet) healthcare. One of my favourites is Idexx Laboratories, an American multinational company that is one of the top providers of animal healthcare diagnostics, veterinary equipment and software. Think of diagnostics as testing for illnesses and it is obviously very important in animals because unlike humans, they can't tell you what is wrong with them.

Idexx has three main business segments, its companion animal (pet) business that represents the majority of their revenue, a livestock, dairy and poultry business, and finally, a smaller water testing business. Over the years, we have met with Idexx management on several occasions and have been impressed with their vision for the company and quality facilities.

Idexx offers a full set of in-house instruments that vets can use for real-time testing (urine and blood) but the "jewel in their crown" is their very profitable reference (external) laboratories business. These labs can carry out a wider range of tests and screening for illnesses such as cardiac or kidney disease, as well as parasites etc. This business has fantastic growth prospects as vets prescribe more tests and there are international opportunities for Idexx where the use of diagnostics is in its infancy, relative to the US. Additionally, Idexx has a piece of software that ties everything together, helping the vet run the practice as well as saving testing results into patient files. The breadth of offerings makes Idexx a compelling partner for vets.

Idexx taps into a number of very exciting long-term investment themes, including "pet humanisation" where we are increasingly treating our pets like members of the family, and that is driving a spending boom.

Globally, the number of pets continues to grow and statistics show the more affection you have, the more you spend, benefitting Idexx. It is definitely happening in my household! Global spending on pet care is projected by Global Market Insights, a market research firm, to surpass US$260 billion by 2025, an exciting prospect for our companies exposed to this theme. Millennials are the pet generation and surveys show money is no object when it comes to their pet's health.

Key attributes we like include:

- Historically, pet spending is resilient in downturns because of our attachment to our pets.
- Animal healthcare is less regulated than human healthcare and has faster product cycles.
- Idexx's edge over competitors is its focus on innovation, accounting for approximately 80% of total research & development in the animal diagnostic market.
- A durable recurring revenue model, in that the instruments and analysers Idexx provides the vets, also use consumables that Idexx produces.
- A long track record, increasing revenue and earnings for 20 consecutive years.

Over the last 20 years, Idexx has generated a total return of 4,056% in US dollars, a return of 40 times the S&P 500 (largest 500 companies in the US) which is up just 155%. Whilst returns may moderate from here given its out-performance and high valuations, we still think the company offers fantastic long-term opportunities, given the attractiveness of the pet industry.

The patent wall at the Idexx main offices in Maine, USA.