MILFORD

Milford Investment Funds Monthly Review
July 2020

Market and Economic Review

A rebound in global economic activity continues to buoy stocks and corporate bonds. Meanwhile, global central banks are pinning interest rates at very low levels – further supporting asset prices and helping deliver positive returns for Milford Funds for the third month in a row.

The global consumer has led the recovery thus far. This propensity to spend reflects strong household income support from governments coupled with pent-up demand from consumers being released from lockdown restrictions. This spending recovery appears to be 'V' shaped and has exceeded investors' expectations.

On the back of this improving economic growth, share market gains have been broad based. Stock selection within our Funds helped deliver additional strong returns in June. In Australia, Collins Foods (an owner of fast food franchises) was up 17.8% as consumer demand for a cheap luxury has soared. In New Zealand, Fisher & Paykel Healthcare was up 18.7% after strong results confirmed the company as one of the few clear beneficiaries of the COVID-19 outbreak. For more information on stock performance within our Funds please read the individual Fund reports.

High quality corporate bonds also rallied in June, supported by buying from the US Federal Reserve. This helped Milford's bond Funds also achieve strong results in the month.

Looking ahead, the outlook is uncertain. Expectations for a full 'V' shaped recovery are being dented by the resurgence in COVID-19, something of particular concern in parts of the US and Latin America. Appetite for further social restrictions is waning and whilst this allows for activity to continue, we could see reduced consumer spending as populations take it upon themselves to avoid contracting the illness. We are also wary that the generous US government income support programme is set to expire in the next month, potentially putting further pressure on consumer spending patterns.

Strong share market performance leaves valuations looking expensive, particularly in the light of rising negative risks. This justifies the broadly defensive stance Milford Funds have in place. Long term, selected shares and corporate bonds should deliver stronger returns than government bonds and cash. In the short term, we see rising risks increasing the chance of market volatility.

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Conservative Fund

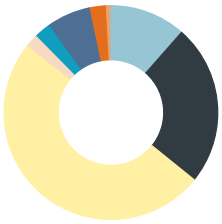
Portfolio Manager: Paul Morris

The Fund returned 0.8% in June and is now up 3.7% over the past year, continuing a recovery from March's weakness. Market volatility remains elevated but supported by extraordinary levels of monetary and fiscal intervention. June was generally a positive month for both bonds and shares.

Bonds continue to benefit from central bank bond buying and an outlook for an extended period of extremely low interest rates. Corporate bonds, to which the Fund is more exposed than government bonds, have especially benefitted. June saw notably strong performance from Australian dollar and global corporate bonds. We have further increased this exposure as we believe valuations remain sufficiently attractive considering ongoing central bank support, especially for investment grade rated bonds.

The Fund's shares also contributed well to its return in June with global and Australasian shares extending gains. This included notable performance from Australian supermarkets Coles and Wesfarmers, recent portfolio additions. We have however marginally reduced the share allocation given valuation levels and earnings uncertainty. That said, we believe there remain opportunities to find attractively priced shares which should deliver reasonable but lower risk returns and allow the Fund to keep up with the broader market. In summary, we reiterate last month's message that an overall defensive Fund setting is appropriate; more cash, fewer bonds (especially lower rated bonds) and shares than the long run neutral.

Actual investment mix [1]



- Effective Cash# 11.50%
- New Zealand Fixed Interest 24.31%
- International Fixed Interest 49.81%
- New Zealand Equities 2.00%
- Australian Equities 2.48%
- International Equities 6.60%
- Listed Property 2.44%
- Other* 0.86%

The actual cash held by the Fund is 6.88%. 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

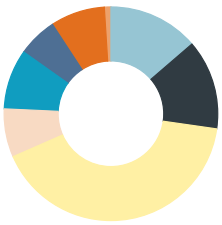
The Fund gained 0.7% in June. It was a volatile month but gains generally continued across key asset classes in which the Fund invests - global bonds rose 0.5%, NZ shares 5.3%, and Australian shares 2.6%.

In our share portfolio, highlights were Collins Food (+17.8%, following strong performance for its KFC restaurants in Australia), and pleasingly recent portfolio additions Wesfarmers (+11.0%) and Coles supermarkets (+11.8%). On the negative side, listed property companies generally fell, partly due to spikes in virus cases - Vicinity Centres, which has 53% of its shopping mall portfolio in Victoria, fell 11.2%. It has a small weight in the Fund at 0.4%.

In fixed income the Fund was active in new issues offshore including Brisbane Airports and Nationwide Building Society (UK). We continue to see valuations in higher quality (investment grade) corporate bonds as attractive compared to cash and government bonds. In terms of strategy, key allocations were little changed this month, for example shares at 31% (from 28%), and bonds unchanged from 55%.

The past quarter has offered some excellent investment opportunities across both the share and bond portfolios, meaning that cash levels in the Fund are significantly lower than a couple of months ago. However, several key uncertainties cloud the outlook including accelerating second waves of the virus in some countries, geopolitics, higher valuations, and the medium-term strength of the economic recovery.

Consistent with the Fund's low-to-medium risk profile, our strategy looking ahead remains to "tread carefully"; focusing our investments on higher quality, more resilient companies, albeit these may not deliver the highest returns in the event of positive economic and virus news.



- Effective Cash# 13.69%
- New Zealand Fixed Interest 13.57%
- International Fixed Interest 41.16%
- New Zealand Equities 7.31%
- Australian Equities 9.08%
- International Equities 5.97%
- Listed Property 8.23%
- Other* 0.99%

The actual cash held by the Fund is 8.53%. 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

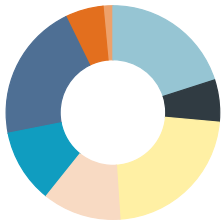
Portfolio Manager: Mark Riggall

The Fund returned 1.3% in June bringing the 1-year return to 4.7%. Buoyant share and corporate bond markets helped the Fund deliver positive returns for the third month in a row in June. The recoveries in share and corporate bond markets are in excess of what we had considered possible given the global disruption caused by the COVID-19 outbreak.

Throughout the past three months the Fund has retained a more cautious stance with less exposure to shares and more cash. Nonetheless, the Fund has been helped by exposure to assets that have performed well, as well as careful stock selection in the equity funds. The Fund's exposure to high quality corporate bonds has been rewarded by good performance from an asset class now explicitly supported by the US central bank. Also, the reduced exposure to foreign currency in the month helped as the NZ dollar appreciated sharply against the US dollar.

Finally, more concentrated exposure to stocks such as Fisher & Paykel Healthcare (+18.5%) and the US technology sector helped deliver strong returns for the growth part of the Fund. The outlook is becoming more uncertain as COVID-19 takes a stronger grip on the US and we are past an initial surge in consumer spending. This gives stronger conviction in a more defensive Fund position, with less exposure to expensive global shares in particular.

Actual investment mix [1]



- Effective Cash# 20.05%
- Australian Equities 11.17%
- New Zealand Fixed Interest 6.39%
- International Equities 20.85%
- International Fixed Interest 22.51%
- Listed Property 5.77%
- New Zealand Equities† 11.78%
- Other* 1.48%

The actual cash held by the Fund is 10.43%. 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

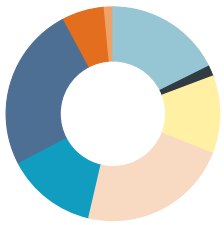
The Fund rose 2.0% in June benefitting from strong New Zealand, Australian and global share markets which rose 5.3%, 2.6% and 2.4% respectively. Shares benefitted as countries started to re-open their economies, institutional investors became less cautious and retail investors' appetite for shares increased significantly. The Fund performed in line with its underlying markets despite being relatively defensively positioned with performance aided by good company selection.

The key positives during the month were Fisher & Paykel Healthcare (FPH, +18.7%) and US technology companies Amazon (+13.0%) and Microsoft (+11.1%). FPH delivered a strong financial result with profit rising 37% due to strong demand for its hospital products which are used to treat COVID-19 patients. FPH's hospital products have been growing strongly and COVID-19 has highlighted the benefits of its respiratory products - a potentially very large market for FPH. Amazon and Microsoft are beneficiaries of COVID-19 as companies accelerate the move to the Cloud to manage their technology, an area which Amazon and Microsoft are clear leaders. Amazon is also benefiting from an acceleration in the move to online shopping.

The Fund remains active and added to investments in New Zealand and Australian shares. In New Zealand we added to holdings in Fletcher Building, Spark and FPH. Whilst we believe growth for Spark will remain low, its tax paid divided yield of approximately 5.5% is attractive relative to very low yields on cash and fixed income. Globally we added to our holdings in Spanish Airport operator AENA. On a medium-term basis AENA is attractively valued and significantly cheaper than Auckland Airport.

Looking forward we believe markets are likely to remain volatile given the very uncertain impact of COVID-19 on economies, company earnings and valuations. However, over the medium-term the impact on company earnings and valuations is less meaningful with many companies' earnings likely to rebound strongly and some companies benefiting. On balance the Fund remains cautious given the uncertain environment and recent rise in share market valuations. The Fund has a lower than average allocation to shares of around 70% however, we remain excited that this market will provide great opportunities for active management gains.

Please note this Fund is closed to new investors.



- Effective Cash# 17.67%
- Australian Equities 13.62%
- New Zealand Fixed Interest 1.59%
- International Equities 24.91%
- International Fixed Interest 11.77%
- Listed Property 6.36%
- New Zealand Equities‡ 22.60%
- Other* 1.48%

The actual cash held by the Fund is 7.36%. 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 1.63% *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

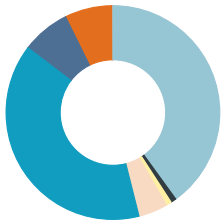
The Australian Absolute Growth Fund returned 1.9% in June as share markets continued to recover from the COVID-19 sell-off.

We had a strong performance from Fisher & Paykel Healthcare (+18.7%) which delivered a solid financial result and positive outlook on rising demand for its products to treat COVID-19 patients. Smartpay rallied 27.9% as the New Zealand Commerce Commission approved the sale of its NZ operations and it reported a strong result from its Australian business. Our supermarket investments also performed well, particularly Coles which rallied 12% over the month.

After a sustained rally, our gold miners had a pull back and were the main detractors for the month. We retain a positive view on the gold price as most currencies are devalued by creation of money by central banks' quantitative easing programs.

The recent share market recovery had been the result of virus containment, reopening of the economy, substantial stimulus, and investors reinvesting back in the market. However, we believe the economic environment remains highly uncertain. We are now faced with controlling second wave virus outbreaks, looming completion of fiscal stimulus programs, and investor positioning that is less cautious than in April and May. With this backdrop we have positioned the Fund a bit more defensively again, while retaining significant investments in high quality companies that can produce long-term returns without excessive risk.

Actual investment mix [1]



- Effective Cash# 40.01%
- Australian Equities 39.28%
- New Zealand Fixed Interest 0.83%
- International Equities 7.32%
- International Fixed Interest 0.82%
- Listed Property 7.10%
- New Zealand Equities 4.42%
- Other* 0.22%

The actual cash held by the Fund is 29.68%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

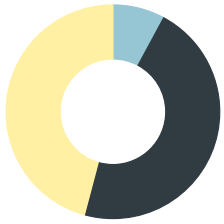
Trans-Tasman Bond Fund

Portfolio Manager: Paul Morris

Bonds remain supported by central bank bond buying and extremely low interest rates. This has offset the supply headwind required to fund fiscal stimulus. The result was close to no net change in Australian and global government bond yields in June. NZ government/local authority bonds did lag however, handing back some recent outperformance.

The Fund remains primarily exposed to corporate bonds which outperformed governments as credit spreads (the extra yield of corporate bonds over governments) tightened again. The result was a reasonable Fund return of 0.6% in the month. That was higher than the benchmark's return due to factors including (i) further price recovery in those corporate bond holdings which had lagged, (ii) the small holding of offshore bonds of Australasian issuers which outperformed domestic peers and (iii) performance from new bond issues from the likes of Singel Optus (Australain telecom) and Australian government guaranteed housing corporation NHFIC.

Looking forward, central bank support should underpin moderate Fund returns. Bond valuations may be less attractive but credit spreads for many issuers are wider than before the crisis (notable exceptions being bank and local authority issuers). Given the ongoing uncertain backdrop we will retain a cautious setting; lower exposure to lower rated bonds, subordinated bonds and offshore bonds of Australasian issuers. Fund interest rate exposure remains close to neutral given central banks targeting of bond yields.



- Effective Cash# 7.89%
- Other* 0%
- New Zealand Fixed Interest 46.23%
- International Fixed Interest 45.88%

The actual cash held by the Fund is 2.13%. 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

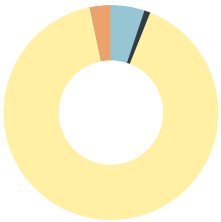
Central bank policy has locked key global government bond yields in tight ranges, but improving economic data combined with unprecedented fiscal and monetary stimulus has helped corporate bond yields fall again during June.

This outperformance led corporate bond credit spreads (their extra yield relative to that of government bonds) tighter, recovering further from the widening/underperformance early in the COVID-19 crisis. The moves were broadly similar for both high yield (HY) and investment grade (IG) bonds.

Fund positioning enabled participation into much of this benefit and it posted a strong return of 1.0% in June. That said, an ongoing cautious setting meant it lagged the benchmark's return. Specifically, the Fund retains (i) a lower than neutral exposure to HY bonds and (ii) an above neutral exposure to IG bonds but this is focused in the lower volatility but cheaper Australian dollar bonds of global issuers, where credit spreads narrowed less than offshore peers in June. Global corporate bond market volatility remains elevated versus history given the highly uncertain backdrop and what are now less obviously cheap valuations.

Therefore, while we remain cautiously constructive that likely ongoing fiscal support and central bank buying of both corporate and government bonds should underpin medium term moderate returns, a cautious Fund setting remains warranted, even if it means missing out on some possible upside.

Actual investment mix [1]



Effective Cash# 5.15%
Other* 3.28%
New Zealand Fixed Interest 0.90%
International Fixed Interest 90.67%

The actual cash held by the Fund is 1.54%. 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

In June the Reserve Bank of New Zealand (RBNZ) left its Official Cash Rate (OCR) unchanged at 0.25%. This was consistent with its previous guidance that the OCR would likely remain at this level until at least March 2021.

Looking forward, the RBNZ may provide more detail on its future monetary policy at the August Monetary Policy Statement (MPS). We expect this will include an update on its development of, and willingness to deploy, alternative monetary policy tools (e.g. a negative OCR).

The portfolio management of the Fund remains focussed on maintaining its low risk strategy which is built on a diversified portfolio of cash, short-dated debt securities and term deposits, so as to protect capital. We believe this should be an attractive, tax efficient (as a PIE vehicle), liquid (meaning investors have access to funds on request unlike term deposits) and low risk alternative to bank term deposits.

Effective Cash 41.67%
Other* 0%
New Zealand Fixed Interest 58.33%

*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

Global Equity gained 1.1% in June and is up 12.4% in the last year. Longer term, the Fund is up 34.6% over the past three years.

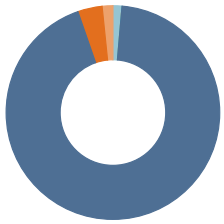
The virus has accelerated the trend towards a more digital world, and we do not expect that trend to reverse. To illustrate, Microsoft CEO Satya Nadella commented that there has been two years of digital transformation in two months. In simple terms, digital transformation is the use of technology in all areas of a business to accelerate growth.

Key positive contributors in June included Apple (+14.7%), which cemented its position as the world's most valuable company with a market capitalisation of NZ$2.4 trillion, over 7 times the size of the NZ economy. Fellow US technology giant Amazon (+13.0%) also performed strongly as e-commerce goes from strength to strength. Amazon is up a whopping 49.3% year to date. ASML (+11.6%) the Dutch semiconductor equipment maker also performed well, and the outlook is promising as their tools are key to more powerful and smaller chips.

Detractors from performance included Alphabet (-1.1%), which was hurt by the advertising slowdown and increasing pressure from anti-trust regulators concerned about its dominance. Ecolab (-6.2%), the world leader in water and hygiene technologies globally, fell on profit taking after rallying +80% off its lows in March.

The economic backdrop remains challenging notwithstanding signs of recovery off depressed levels. 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]



Effective Cash# 1.37%
Listed Property 3.70%
Other* 1.62%
International Equities 93.31%

The actual cash held by the Fund is 1.82%. 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

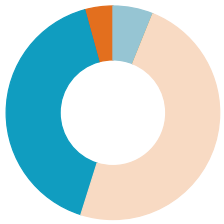
Portfolio Manager: Sam Trethewey & Wayne Gentle

June performance was 4.1% compared to a 5.3% return for the NZX 50 index and a 2.6% return for the ASX 200 index.

Looking at the Fund's performance, it has been a pleasing recovery since the March lows driven by COVID-19. The Fund is now up 0.3% year to date, while the Fund's benchmark is down 5.1%. The recovery has primarily been driven by stock selection with three standout contributors: Fisher & Paykel Healthcare (+60.4%), a2 Milk (+34.4%) and Afterpay (+108.3%). All have been beneficiaries of COVID-19, seeing accelerated adoption of their products by consumers. The share prices of many other companies in the market are still down over 20%, reflecting the potentially difficult period ahead.

Fisher & Paykel Healthcare was the standout performer in June. The company reported its financial result at the end of the month, it indicated that the virus has been a game changing marketing event for the company. Awareness of its key respiratory products, Optiflow and Airvo, has grown substantially due to their use as a front-line treatment for COVID-19 patients in hospitals across the globe. The virus has had the effect of lifting penetration and pulling forward several years of growth. Elsewhere in June we reduced holdings in several companies exposed to the local economy (like Fletcher Building) after the market became more optimistic of a sharp earnings recovery post COVID-19. The Fund also participated in an opportunistic capital raising by Infratil. The company has a relatively defensive portfolio of businesses which are likely perform strongly regardless of how the virus plays out from here.

We expect the local equity markets to remain volatile in the coming months. While real time indicators of economic activity continue to improve, we expect some caution in the outlook statements from companies in the August reporting season. The range of outcomes for company earnings in the year ahead still remains very wide. Irrespective of short-term market performance, long-term returns will be heavily influenced by our stock selection as it has been in the first six months of the year. That is our ability to position the Fund in companies that can sustain earnings growth at above average rates (like a2 Milk, Xero and Fisher & Paykel Healthcare) and avoid where we see stretched balance sheets, earnings or valuation risk.



Effective Cash# 6.12%
Listed Property 4.27%
New Zealand Equities 48.73%
Other* 0%
Australian Equities 40.88%

The actual cash held by the Fund is 8.09%. 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

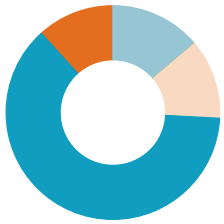
Portfolio Manager: William Curtayne & Michael Higgins

The Dynamic Fund returned 0.6% in June, outperforming the S&P/ASX Small Ordinaries benchmark by 2.5%. Over the prior 12 months, the Fund has pleasingly delivered an 8.3% return against the benchmark return of -4.1%.

Performance was led by two companies we previously identified earlier in the year as beneficiaries from COVID-19 conditions, they were KFC restaurant owner Collins Foods (+17.8%) and respiratory technology company Fisher & Paykel Healthcare (+18.5%). Collins Foods confirmed its earnings resiliency by beating expectations underpinned by increased drive-thru and strong e-commerce delivery sales. Fisher & Paykel also beat market earnings expectations as clinical best practice for COVID-19 evolved from invasive incubation to Fisher & Paykel's primary Nasal High Flow Therapy.

Detractors included gold miner Evolution (-7.0%) and financial platform HUB24 (-12.5%) – we continue to add to both positions on weakness. The recent COVID-19 volatility has created an investing environment ideal for a very active approach to investing. In many cases, small capitalisation companies are the best placed to exploit this exposure. While we have shifted the Fund to be slightly more defensive once again, we remain invested in quality companies we think can continue to perform despite uncertain conditions.

Actual investment mix [1]



Upcoming Distributions	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	16/07/2020
Diversified Income Fund	1.1 cents (Quarterly)	20/08/2020
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	17/09/2020
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/09/2020
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.

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*	0.84%	3.66%	5.55%	—	6.15%	1.1815	437.4 M
Diversified Income Fund*	0.65%	0.11%	6.03%	8.09%	10.48%	1.7338	2,256.5 M
Balanced Fund	1.27%	4.68%	7.62%	7.85%	9.50%	2.4397	800.1 M
Active Growth Fund#	1.97%	4.44%	9.39%	9.69%	12.01%	3.9611	1,189.4 M
Australian Absolute Growth Fund	1.87%	5.72%	—	—	6.41%	1.1523	207.3 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.57%	4.63%	5.21%	4.95%	5.58%	1.1899	764.1 M
Global Corporate Bond Fund*^	1.01%	3.65%	4.11%	—	4.72%	1.0697	740.2 M
Cash Fund	0.03%	1.31%	—	—	1.49%	1.0200	131.1 M
Equity Funds							
Global Equity Fund†	1.08%	12.44%	10.42%	7.26%	8.79%	1.8186	735.7 M
Trans-Tasman Equity Fund*	4.07%	8.30%	14.01%	13.22%	11.39%	3.2074	472.3 M
Dynamic Fund	0.59%	8.31%	11.63%	10.43%	11.66%	2.0817	332.1 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)	5.26%	9.85%	15.70%	16.10%	15.81%
S&P/ASX 200 Accumulation Index (AUD)	2.61%	-7.68%	5.19%	5.95%	7.48%
S&P/ASX 200 Accumulation Index (NZD)	2.43%	-5.48%	5.91%	4.67%	5.92%
MSCI World Index (local currency)*	2.36%	3.29%	6.91%	7.16%	9.31%
MSCI World Index (NZD)*	-1.26%	7.30%	11.38%	7.96%	11.23%
S&P/NZX 90-Day Bank Bill Rate	0.01%	1.20%	1.71%	2.04%	2.40%
Bloomberg Barclays Global Aggregate Bond (USD-Hedged)	0.50%	6.07%	5.14%	4.44%	4.33%
S&P/NZX NZ Government Bond Index	-0.64%	5.68%	6.03%	5.23%	5.25%

*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
NZLGFA 1.5% 2029 1.45%	Spark New Zealand 2.01%	a2 Milk Company 1.79%	a2 Milk Company 3.94%	Woolworths 7.34%
Housing NZ 3.36% 2025 1.26%	Transurban Group 2.01%	Spark New Zealand 1.74%	Fisher & Paykel Healthcare 3.88%	Newmont Mining 5.97%
John Deere 1.75% 2024 1.14%	Woolworths 1.57%	Fisher & Paykel Healthcare 1.70%	Spark New Zealand 3.82%	Telstra Corp 3.26%
NZLGFA 3.5% 2033 1.13%	NZ Government Bond 2.75% 2025 1.56%	Microsoft Corp 1.26%	Contact Energy 2.47%	Newcrest Mining 3.20%
Westpac 2.22% 2024 1.13%	NZLGFA 1.5% 2026 1.40%	Amazon 1.15%	Summerset Group Holdings 1.86%	CSL 2.89%
ASB Bank 1.83% 2024 1.11%	Contact Energy 1.34%	Alphabet 1.15%	Microsoft Corp 1.82%	IAG 2.56%
ANZ Bank 3.03% 2024 1.01%	GPT Group 1.24%	Contact Energy 1.11%	Alphabet 1.74%	Evolution Mining 2.54%
ING Group 1.45% 2024 0.98%	Mirvac Group 1.17%	Woolworths 1.07%	Newmont Mining 1.56%	Coles Group 2.52%
NHFIC 1.41% 2032 0.95%	Mirvac Group 3.625% 2027 1.13%	Apple 1.00%	Electronic Arts 1.35%	Saracen Mineral Holdings 2.12%
NZLGFA 1.5% 2026 0.95%	JPMorgan 1.09% 2027 1.11%	Transurban Group 0.94%	EBOS Group 1.35%	National Australia Bank 2.08%

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 3.16%	Seagate 4.091% 2029 1.92%	NZLGFA 0% 2020 7.63%
Housing NZ 3.36% 2025 2.72%	Kerry Group 0.625% 2029 1.73%	Housing NZ 0% 2020 4.80%
NZLGFA 3.5% 2033 2.55%	Danaher Corp 0.45% 2028 1.67%	ANZ 1.2% 2020 3.81%
Westpac 2.22% 2024 2.55%	McDonald's 3% 2024 1.61%	Housing NZ 0% 2020 3.81%
ANZ Bank 3.03% 2024 2.28%	Crown Castle 2.25% 2031 1.59%	Auckland Airport CD 2020 3.81%
ING Group 1.45% 2024 2.21%	Dell 5.85% 2025 1.47%	NZ Government 0% 2020 3.05%
ASB Bank 1.83% 2024 2.18%	John Deere 1.75% 2024 1.46%	NZ Government 0% 2020 2.67%
NHFIC 1.41% 2032 2.15%	FBG Finance 3.25% 2022 1.44%	Kiwibank 1.05% 2020 2.37%
ANZ Bank Float 2024 2.08%	Nordea Bank 0.5% 2027 1.34%	Westpac 32 Day CMD 2020 2.34%
Macquarie Group Float 2025 1.97%	Aroundtown 4.5% 2025 1.29%	Westpac 1.3% 2020 2.29%

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
Amazon 4.42%	a2 Milk Company 9.54%	Evolution Mining 5.03%
Microsoft Corp 4.38%	Fisher & Paykel Healthcare 9.46%	Collins Foods 3.83%
Apple 3.98%	CSL 5.33%	Saracen Mineral Holdings 3.40%
Alphabet 3.94%	Xero 3.65%	Sealink Travel Group 3.21%
Paypal Holdings 3.16%	Mainfreight 3.39%	Bapcor 3.21%
S&P Global 2.71%	Infratil 3.09%	EQT Holdings 2.86%
ASML Holding 2.55%	Spark New Zealand 3.09%	IPH 2.68%
Transunion 2.51%	Ryman Healthcare 2.80%	HUB24 2.67%
Visa 2.46%	BHP Group 2.75%	EML Payments 2.64%
Mastercard 2.45%	Auckland Airport 2.55%	Seven Group Holdings 2.53%

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 $27.4 million invested across our Investment Funds as at the end of June 2020.

Greg Cassidy
Senior Analyst

Investment Highlight - Saracen Minerals

It is always pleasing to see a company mature and develop over the years. With good management, good strategy and a bit of luck, good little companies can grow up into something significant. Saracen Minerals is one such company mining gold in the Western Australia outback.

Saracen has been listed on the ASX since 1987 but with a mixed track record. The current CEO was promoted to the top job in 2013, inheriting a plethora of problems and had to simplify things. Close to a decade ago, I remember visiting their relatively new processing plant in the middle of the desert that was surrounded by several mines not big enough to fill it.

Saracen decided it needed to find a lot more gold hidden deep under its land by investing millions in drilling. Production grew over the last three years, but we felt an investment would go unrewarded as it was not leading to much extra cash generation. We thought the share price was too high as it was following production growth rather than the slower profit growth.

The game changer was the November 2019 acquisition of a half share in one of the largest gold mines in the world – The Super Pit in Kalgoorlie. This is arguably the home of gold mining in Australia but was owned jointly by two large North American gold miners. This was an opportunity to buy a large cash generator that was in the middle of a tough period needing new owners to reinvigorate. We bought in the equity raise at $2.95, helping fund the deal. Soon afterwards, the larger Northern Star bought the other half, so it is now locally owned.

The older mines are now generating respectable cash, giving Saracen a good track record with the cash improvement from the Super Pit expected to come quicker.

Our purchase took place as the gold price started rallying from falling inflation and bond yields. Now, in a COVID-19 world of even lower interest rates and huge Central Bank stimulus, gold is even more attractive. Saracen has been promoted to the ASX 100 index and should generate solid cash flow from both higher production and the price of gold which is what we like to see. Whilst much of this is now in the share price ($5.42 as at 30 June), management's execution has proven better than its other gold peers showing that it is now a mature adult amongst gold miners.

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