Milford Investment Funds
Monthly Review November 2020

Market and Economic Review

Global share markets experienced a bumpy ride in October with divergent fortunes across the regions. Fund returns were broadly positive, helped by our conviction in investing into the local Australian and NZ share markets.

The sustainability of the recent bounce in global growth is being called into question. Fading demand for goods, increased social distancing measures in Europe, persistent global unemployment and diminishing fiscal support from governments are all weighing on the growth outlook.

Australia and NZ look to be in better shape for short-term growth compared to the rest of the developed world. While closed borders and high unemployment will undoubtably curtail growth, virus-free populations are free to spend domestically, buoyed by the wealth effect of surging housing markets.

Divergent economic fortunes are starting to be reflected in performance of regional share markets, as illustrated last month. Europe (Stoxx 600 index) plunged 5.1% in the month as social distancing restrictions were announced. US shares (S&P500 index) were down 2.7% whilst Australian (ASX 200 index) and NZ (NZX 50 index) shares were up 1.9% and 2.9% respectively (all local currency returns).

Our diversified Funds have been increasingly favouring domestic markets for the last month or so and this is reflected in performance for October.

On the stock side, Fisher & Paykel Healthcare's products are at the forefront of treatment for COVID-19 and the resurgence of the virus in Europe and US gives us greater conviction around demand for the company's respirators. We continue to hold significant positions in the stock and have added to those over the past month.

Looking ahead, the outlook is clouded by the impending US election. Although economic momentum is waning, further support from governments could be forthcoming and the outcome of the election is key in determining the size, shape and timing of this fiscal support. Additionally, we await news of progress on a vaccine which should inform us on the medium-term outlook for economic recovery.

Although uncertainty is still very high, we remain convinced that companies with good cashflows and dividend yields will remain sought after in a low interest rate world and regardless of the economic outlook. Companies such as Spark and Contact Energy in NZ, and Woolworths in Australia remain high on our holdings lists.

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MILFORD
INVESTMENT FUNDS

Conservative Fund

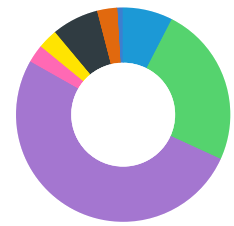
Portfolio Manager: Paul Morris

The Fund returned a reasonable 0.4% in the month. Australasian shares generally posted positive returns, with notably strong performance from NZ property and utility exposures. After a strong start to the month global shares ended the month down as rising uncertainty (US election, lack of US fiscal package, resurgence of the virus) weighed on demand.

Global bonds did however contribute positively, and the Fund benefitted from its greater weight in corporate bonds, which outperformed government bonds. Australasian bonds also delivered a reasonable return supported by the expectation of yet further monetary policy stimulus. Recognising the increasing uncertainty the Fund continued with its slightly cautious positioning, notably holding slightly less shares (specifically global shares) than its long run neutral. In lieu of this, the Fund has been happy to hold more (i) lower rated corporate bonds, which we think offer a better risk-adjusted return given monetary and fiscal policy support and (ii) subordinated bonds (lower ranking in a liquidation) of companies with strong balance sheets.

Looking ahead, a global resurgence of the virus is a clear risk but over the medium term we remain optimistic that a combination of vaccine developments and further government and central bank stimulus will ultimately underpin the economic recovery and support both bond and share market returns.

Actual investment mix [1]



- Effective Cash# 7.57%
- New Zealand Fixed Interest 24.30%
- International Fixed Interest 51.32%
- New Zealand Equities 2.73%
- Australian Equities 3.00%
- International Equities 7.05%
- Listed Property 3.07%
- Other* 0.96%

The actual cash held by the Fund is 4.03%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

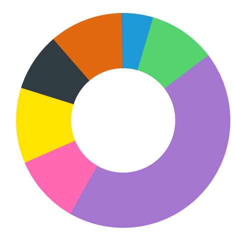
Diversified Income Fund

Portfolio Manager: David Lewis

The Fund was up by 0.4% in October, with strong returns early in the month moderating as the virus situation in the US and especially Europe deteriorated. Across the Fund's key asset classes this month, there were gains in higher yielding bonds (+0.5%), and Australasian shares, while investment grade bonds saw fairly flat returns, and international shares were down (-3.1%).

NZ electricity companies Contact (+11.0%) and Meridian (+7.1%) made strong gains, reflecting the improved outlook for the Tiwai smelter, and strong international investor demand especially earlier in the month. We used this to take some profits in these holdings although both remain key exposures. Other highlights were SCA property, a landlord for supermarkets and small malls, which rose 9% on improved rent collection, and NZ retirement village operator Summerset (+15.7%, supported by the surging NZ housing market). In fixed income, we added to holdings in UBS (Swiss bank), Argosy (NZ property) and Lendlease (Australian-headquartered property manager and developer).

In the short term, our strategy is slightly more cautious given uncertainty from the US election and the economic impact of renewed social distancing measures in many countries. Looking into 2021 however, we see more reason for optimism - our base case includes a vaccine, low interest rates, and a gradually improving economy. Bringing those together, we have reduced certain share exposures compared to last month, but changes have been modest with overall shares now at 41.5% of the Fund.



- Effective Cash# 4.60%
- New Zealand Fixed Interest 10.11%
- International Fixed Interest 43.43%
- New Zealand Equities 10.32%
- Australian Equities 11.36%
- International Equities 8.77%
- Listed Property 11.06%
- Other* 0.35%

The actual cash held by the Fund is 3.22%. 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.

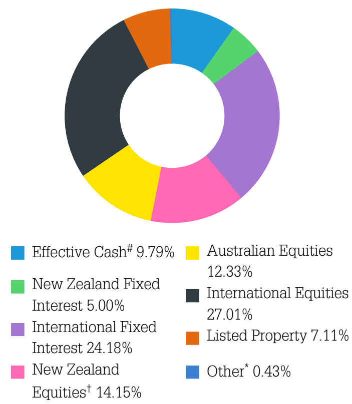
Balanced Fund

Portfolio Manager: Mark Riggall

The Fund returned 0.4% in October, bringing the 1-year return to 5.9%. October saw a divergence in performance from different regions around the world, partly driven by rising COVID-19 cases in Europe. The Balanced Fund has been increasing investments into both Australia and NZ whilst remaining cautious on global shares. This was rewarded in October as domestic and Australian shares outperformed the US and particularly Europe (where the Fund has minimal exposure). Stock selection also helped performance.

Fisher & Paykel Healthcare is the Fund's biggest holding at 2.4%, underlying Funds have been adding to the position recently and the stock was up over 5% in October as ongoing virus resurgence drives demand for its respirators. Contact Energy (the Fund's 3rd biggest holding) was up 11% owing to the improved outlook for the Tiwai smelter. Global investors have been focused on slowing economic growth, rising virus cases and risks around the US election. Policy makers have turned more supportive, with new European restrictions coming hand in hand with fiscal support. Central banks too continue to provide support, notably the Reserve Bank of Australia that is about to embark on their own quantitative easing program. Once the noise of the US election is out of the way, we look to progress updates from vaccine makers to give us more confidence in the medium-term outlook. In the meantime, the Balanced Fund will retain a focus on safer, dividend yielding shares to enable a more fully invested position despite the ongoing uncertainty.

Actual investment mix [1]



The actual cash held by the Fund is 6.90%. 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

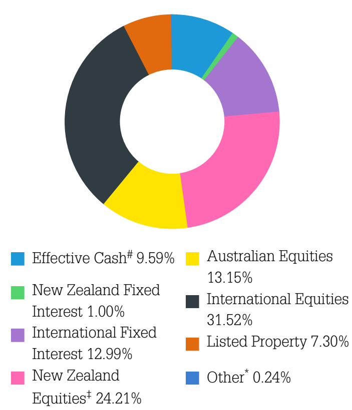
Portfolio Manager: Jonathan Windust

The Fund rose 0.8% in October with strong performance of New Zealand (+2.9%) and Australian (+2.0%) share markets and good company selection offsetting weak performance in global share market indices (-3.1%). Global markets came under pressure due to rising COVID-19 cases and uncertainty around the outcome for the US election.

Key positive company investments during the month were Kiwi Income Property (+16.0%), Summerset (+15.7%), Virgin Money (+26.6%) and Alphabet (+10.3%). Kiwi Income benefitted from increased confidence in the New Zealand economy and Summerset from the strong housing market. Virgin Money is a UK bank and benefitted from strong results from its peers that showed improving credit conditions and margins. We believe Virgin, despite facing short-term challenges, is very attractively valued. The Fund also holds investments in the company's subordinated fixed income which offer attractive yields for the risk. Given rising uncertainty and good gains, the Fund reduced investments in global shares and increased investment in New Zealand shares. In particular the Fund added to our holdings in Fisher & Paykel Healthcare. Fisher & Paykel has become the clinical standard for treating COVID-19 in hospitals and should benefit from sharply rising case numbers globally.

The short-term outlook for shares remains uncertain with rising virus cases, potentially reduced government support, elections, BREXIT and high valuations. The main positives remain very strong stimulus measures and very low interest rates which attract investors to shares to generate a return. A vaccine would be a positive for economies although some companies that have benefitted from the virus and 'working from home' may see headwinds. On balance we expect shares to outperform over the medium-term but remain volatile given the high level of uncertainty. The strategy of the Fund is to remain active and invest in a combination of reasonably priced growth companies and companies which offer value and attractive yields.

Please note this Fund is closed to new investors.



The actual cash held by the Fund is 4.28%. 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.

Australian Absolute Growth Fund

Portfolio Manager: William Curtayne & Wayne Gentle

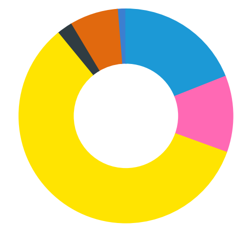
The Australian Absolute Growth Fund produced a small 0.4% gain in October after a late market pullback eroded stronger mid-month performance. Our top performers were more defensive businesses that held up well later in the month. With consumers continuing to dine more at home due to the pandemic, Woolworths rallied 4.7% as it reported strong sales over the last quarter. Fisher & Paykel Healthcare surged by 5.2% as COVID-19 cases began to rise at a concerning rate in Europe and North America. We increased our position in this business materially over the month.

Some of our Australian cyclical holdings performed well on the back of positive signals from the housing market. This included BlueScope Steel, which upgraded earnings guidance and ANZ Bank, which reported better than expected earnings. With COVID-19 cases under control in Australia and New Zealand we prefer local cyclical companies to those exposed to Europe and the United States.

Our largest detractors were BHP Group, which declined with the iron ore price, and AFG, which pulled back after strong recent gains. We increased our investment in AFG over the month.

The coming weeks have many catalysts that could cause either a sharp rally or fall in equity markets. These include the US election, Federal Reserve update, COVID-19 cases in Northern Hemisphere and any news on a vaccine. As a result, we retain a balanced portfolio that should participate in upside but also limit the full extent of market losses in a decline.

Actual investment mix [1]



The actual cash held by the Fund is 8.26%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

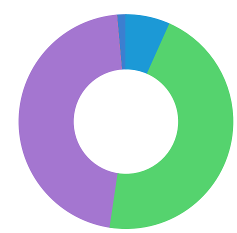
Trans-Tasman Bond Fund

Portfolio Manager: Paul Morris

Irrespective of the low interest rate environment the Fund posted a reasonable return of 0.6% in October. The return was driven by a rise in corporate bond prices, which generally outperformed government bonds.

Over the past couple of months the Fund has slightly increased its exposure to corporate bonds at the expense of government/ government related bonds. This continued in October as we added new corporate bond issues from Vector, Argosy Property and Lendlease. October was another strong month of Fund outperformance relative to its benchmark (+0.2%) as (i) a higher exposure to Australian credit spreads (the extra yield of corporate bonds over governments) and (ii) its ongoing exposure to Australasian issuers' offshore bonds both contributed strongly.

While the overall Fund interest rate exposure was (and remains) close to benchmark/ neutral, it benefitted from an exposure to rising longer-dated US interest rates (which rose more than Australasian interest rates). Australian interest rates have been capped by the Reserve Bank of Australia's indication that further monetary policy support was possible at its November meeting and NZ rates by the imminent introduction of the Reserve Bank of New Zealand's funding for lending programme, in addition to an ongoing expectation of a negative cash rate. Looking forward, these policy developments should underpin further Fund returns, albeit given prevailing interest rates future returns are likely to continue to moderate.



The actual cash held by the Fund is 1.61%. 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

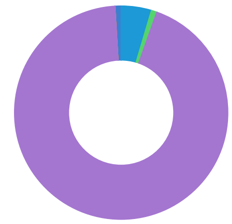
The Fund posted a moderate return of 0.6% in October, 0.2% more than its benchmark. Returns were bolstered by a tightening in global corporate bond credit spreads (the extra yield of corporate bonds over governments).

The Fund has a greater exposure to credit spread tightening than its benchmark which helped relative performance. Much of this extra exposure is in attractively valued Australian dollar bonds of global issuers which performed strongly. The Fund has also benefitted from an underweight exposure to longer-dated US interest rates which moved higher.

Due to valuations and an ongoing uncertain economic backdrop, we retained a small underweight to high yield (HY) bonds of non-bank corporates. We preferred instead an overweight to (i) investment grade (IG) bonds where ongoing policy support should limit price weakness, (ii) subordinated bonds of better capitalised US and European banks which even accounting for a challenging operating environment arguably remain attractively priced, and (iii) subordinated bonds of IG rated non-bank corporates. The latter exposure is focused on companies with strong IG rated balance sheets, even if the actual subordinated bonds may be HY rated. We believe this offers an attractive risk reward with the subordinated new issue from Orange (European telco) added in the month an example.

Looking forward, volatility is likely to remain elevated in the near term but monetary and fiscal policy support, combined with lower levels of issuance, should help deliver moderate medium-term corporate bond returns.

Actual investment mix [1]



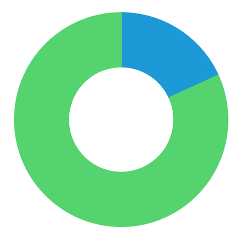
The actual cash held by the Fund is -0.01%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Cash Fund
Portfolio Manager: Paul Morris

Short-dated NZ dollar bank bills, a reflection of interbank funding levels, were marginally lower over the month. What was more noticeable was a renewed fall in many major bank term deposit rates. We believe this is due to a combination of current elevated bank liquidity but also in expectation of the likely introduction of the Reserve Bank of New Zealand's (RBNZ) funding for lending programme (FLP). The details of the latter are likely to be released in November but their objective is clearly to pull retail interest rates lower, even in advance of any Official Cash Rate (OCR) cut.

Looking ahead, we reiterate that the likely trajectory of short-dated NZ dollar interest rates remains lower with recent RBNZ communications continuing to indicate a preference to deliver a negative OCR next year. We have outlined an expectation that under a negative OCR the Fund may still be able to deliver a positive return. This remains dependent on many factors, not limited to (i) the extent the OCR could go negative and (ii) the impact the developing RBNZ policy actions have on the yields available from the Fund's investible universe.

For now however, recent developments have not changed the portfolio management of the Fund which remains focused on maintaining a low-risk strategy, built on a diversified portfolio of cash, short-dated debt securities and term deposits, to protect capital. We believe this still remains 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.



The actual cash held by the Fund is 18.19%. 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 Equity Fund

Portfolio Manager: Felix Fok

The Global Equity Fund fell 2.4% in October and outperformed the market index by 0.7%.

Key positive contributors included Indian private bank, HDFC Bank (+15.0%). HDFC Bank rose on strong earnings despite the weak economic backdrop in India, reflecting the quality of its management team. HDFC Bank has been a longtime holding and has contributed to the Fund by capturing India's growth.

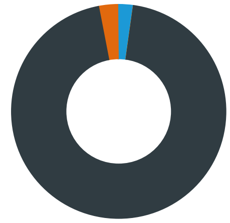
Alphabet (+10.3%), the parent company of internet search engine Google, benefitted by surprise strength in digital advertising spending. Also, some of the regulatory concerns on this company were lifted last month as the US Justice Department antitrust lawsuit appears more limited in scope than feared.

Detractors included Mastercard (-14.5%). Mastercard's higher margin international transactions remain depressed due to the pandemic and border closures, leading to less holiday and business travel. A successful vaccine would be a positive catalyst for cross border activity to recover.

US home builder DR Horton (-11.7%), fell on profit taking after more than doubling since its low in March. US housing fundamentals remain supportive with strong demand and historically low mortgage rates, but demand could moderate in the short term by the surge in COVID-19 cases.

The economic backdrop remains uncertain. The portfolio remains focused on our key investment themes and dominant companies.

Actual investment mix [1]



The actual cash held by the Fund is 2.53%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

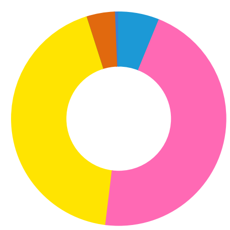
Trans-Tasman Equity Fund

Portfolio Manager: Sam Trethewey & Wayne Gentle

The Fund returned 2.9% in October compared to returns of 2.9% for the NZX 50 index and 2.0% for the ASX 200 index. During the month, both local markets had rallied over 6% before pulling back alongside global equity markets as virus case numbers increased in the northern hemisphere.

Highlights for the Fund included: Mainfreight (+17.2%), Afterpay (+20.9%) and retirement village operator Summerset (+15.7%). We attended Mainfreight's investor day in Tauranga where the company provided a positive trading update reflecting market share gains and a strong bounce back in economic activity across Australia and NZ. Afterpay released a strong quarterly update to the market indicating it continues to grow rapidly in the US and frequency of use is high. Summerset continues to be sought after by investors on the local housing market strength and its attractive growth profile vs sector peers. We added to Fletcher Building early in the month as local housing market strength and associated construction activity is likely to be beneficial for earnings. At its August result Fletcher Building reiterated a very cautious macro outlook, anticipating NZ residential volumes to be down -c.30% over the next 12 months. We rotated some of our electricity company exposure from Meridian Energy into Contact Energy.

Looking ahead, November is an important month for the local markets. It is annual meeting season and many companies are likely to provide outlook commentary for the current financial year. In the medium term, the outlook of many companies will still be determined by the impact of COVID-19, in both a health and economic sense, over the coming year. Irrespective of short-term market performance long-term returns will be heavily influenced by our stock selection. That is our ability to position the Fund in companies that can sustain earnings growth at above average rates (like Fisher & Paykel Healthcare) and avoid where we see stretched balance sheets, earnings or valuation risk.



The actual cash held by the Fund is 6.41%. 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

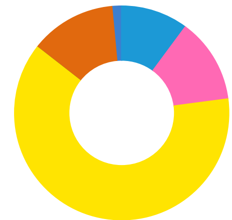
Portfolio Manager: William Curtayne & Michael Higgins

The Dynamic Fund returned 2.5% in October, outperforming the S&P/ASX Small Ordinaries Index benchmark by 2.0%. The first two weeks of October saw the benchmark reach an intra-month high of 6.3% before giving back almost all of these gains as global uncertainties dragged on confidence.

Our decision to favour defensive businesses like HUB24 (+24.2%), Bapcor (+12.8%), Fisher & Paykel Healthcare (+5.2%) and SeaLink (+5.2%) provided resilience as they all rallied. HUB24 continued its stellar performance and is now up 130% from the March 2020 lows. Management announced three acquisitions which not only builds scale, but solidifies their future as one of the winners from the migration away from the major banks and AMP. Given the strong performance we have taken some profits over the month. Fisher & Paykel Healthcare rallied on a COVID-19 case explosion across Europe and North America. Clinical best practice for COVID-19 has evolved from invasive incubation to Fisher & Paykel's primary Nasal High Flow Therapy.

Detractors included payments provider IPH (-8.2%) and Megaport (-16.3%). We retain a positive view on both companies. We enter the final quarter of the year with a balanced portfolio given the wide array of outcomes which will largely determine the direction of equity markets. These events include fiscal stimulus packages, developments on vaccines and the outcome of the US presidential election.

Actual investment mix [1]



Effective Cash# 10.13%
Listed Property 12.96%
New Zealand Equities 12.78%
Other* 1.48%
Australian Equities 62.65%

The actual cash held by the Fund is 9.51%. 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)	21/01/2021
Diversified Income Fund	1.1 cents (Quarterly)	19/11/2020
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	17/12/2020
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/12/2020
Trans-Tasman Equity Fund	1.5 cents (Biannually)	18/03/2021

*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*	0.45%	4.44%	5.58%	6.33%	6.38%	1.2087	546.0 M
Diversified Income Fund*	0.43%	0.49%	6.13%	8.03%	10.49%	1.7812	2,339.3 M
Balanced Fund	0.35%	5.92%	7.43%	8.28%	9.65%	2.5499	953.9 M
Active Growth Fund#	0.78%	7.39%	9.27%	10.04%	12.22%	4.2135	1,296.0 M
Australian Absolute Growth Fund	0.36%	2.04%	—	—	6.42%	1.1763	212.3 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.56%	5.53%	5.40%	5.15%	5.72%	1.2183	818.1 M
Global Corporate Bond Fund*^	0.55%	3.70%	4.07%	—	4.97%	1.0914	793.4 M
Cash Fund	0.03%	0.83%	—	—	1.27%	1.0213	123.8 M
Equity Funds							
Global Equity Fund†	-2.35%	15.61%	9.79%	8.54%	9.25%	1.9310	846.6 M
Trans-Tasman Equity Fund*	2.85%	10.67%	12.23%	14.38%	11.56%	3.3745	576.1 M
Dynamic Fund	2.48%	9.12%	11.92%	11.93%	12.92%	2.3381	411.2 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)	2.87%	12.74%	15.06%	16.26%	15.00%
S&P/ASX 200 Accumulation Index (AUD)	1.93%	-8.15%	4.09%	6.80%	5.63%
S&P/ASX 200 Accumulation Index (NZD)	-0.08%	-9.12%	2.32%	6.97%	4.52%
MSCI World Index (local currency)*	-3.05%	3.30%	5.85%	7.99%	8.27%
MSCI World Index (NZD)*	-3.05%	1.27%	7.24%	8.64%	10.78%
S&P/NZX 90-Day Bank Bill Rate	0.03%	0.80%	1.52%	1.86%	2.28%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	0.01%	4.32%	4.98%	4.26%	4.19%
S&P/NZX NZ Government Bond Index	-0.23%	6.32%	6.36%	5.25%	5.71%

*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
Scentre Group 5.125% 2080 1.36%	Contact Energy 2.44%	Fisher & Paykel Healthcare 2.42%	Fisher & Paykel Healthcare 5.22%	Woolworths 6.65%
NZLGFA 1.5% 2029 1.22%	Spark New Zealand 2.35%	Spark New Zealand 2.01%	Spark New Zealand 3.98%	National Australia Bank 5.82%
Housing NZ 3.36% 2025 1.17%	Scentre Group 5.125% 2080 1.90%	Contact Energy 1.48%	Summerset Group Holdings 2.87%	Fisher & Paykel Healthcare 5.71%
NZLGFA 3.5% 2033 1.12%	Woolworths 1.82%	Woolworths 1.12%	a2 Milk Company 2.07%	CSL 4.99%
Westpac 2.22% 2024 1.09%	Transurban Group 1.82%	Scentre Group 5.125% 2080 1.10%	Dr Horton 1.92%	ANZ Banking Group 4.91%
UBS Float 2025 1.08%	Goodman Group 1.69%	a2 Milk Company 1.09%	Contact Energy 1.83%	BHP Group 3.93%
IBRD 0.625% 2027 1.03%	UBS Float 2025 1.48%	Amazon 1.06%	EBOS Group 1.81%	Transurban Group 3.83%
AusNet Float 2080 0.96%	Coles Group 1.43%	Microsoft Corp 1.04%	Thermo Fisher Scientific 1.67%	Spark New Zealand 3.07%
Transpower 1.735% 2025 0.95%	NZLGFA 1.5% 2026 1.31%	Alphabet 1.02%	Scentre Group 5.125% 2080 1.63%	Saracen Mineral Holdings 2.61%
ASB Bank 1.83% 2024 0.93%	Meridian Energy 1.29%	Transurban Group 1.00%	Charter Hall Retail 1.60%	Australian Finance Group 2.61%

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
Housing NZ 3.36% 2025 2.59%	Seagate 4.091% 2029 1.83%	Westpac 32 Day CMD 2020 9.37%
NZLGFA 1.5% 2029 2.59%	Kerry Group 0.625% 2029 1.72%	Kiwibank 0.6% 2021 7.67%
NZLGFA 3.5% 2033 2.47%	Danaher Corp 0.45% 2028 1.63%	ANZ 1.21% 2020 5.43%
Westpac 2.22% 2024 2.41%	Scentre Group 5.125% 2080 1.58%	Housing NZ 0% 2020 5.09%
IBRD 0.625% 2027 2.27%	NXP BV 4.3% 2029 1.57%	ANZ 1.15% 2020 4.04%
Transpower 1.735% 2025 2.10%	McDonald's 3% 2024 1.49%	Contact CD 2020 4.04%
ASB Bank 1.83% 2024 2.06%	Crown Castle 2.25% 2031 1.45%	NZLGFA 0% 2021 4.03%
ANZ Bank Float 2024 1.95%	Bank of America 1.898% 2031 1.43%	Genesis Energy 0% 2021 4.03%
Macquarie Group Float 2025 1.85%	John Deere 1.75% 2024 1.39%	Port of Tauranga CD 2020 4.03%
Ausgrid Finance 1.814% 2027 1.70%	Masco 2% 2030 1.34%	ANZ 1.2% 2020 3.24%

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 4.07%	Fisher & Paykel Healthcare 8.96%	Sealink Travel Group 4.38%
Alphabet 3.76%	a2 Milk Company 4.97%	Fisher & Paykel Healthcare 4.16%
Microsoft Corp 3.58%	CSL 4.56%	HUB24 4.12%
Alibaba Group 3.43%	Mainfreight 3.98%	Bapcor 3.66%
Apple 3.12%	Xero 3.48%	Collins Foods 3.63%
Danaher 2.76%	Infratil 3.01%	EML Payments 2.95%
Paypal Holdings 2.73%	Auckland Airport 2.84%	IPH 2.94%
Thermo Fisher Scientific 2.72%	Spark New Zealand 2.82%	Seven Group Holdings 2.94%
HDFC Bank 2.55%	BHP Group 2.79%	Evolution Mining 2.92%
Martin Marietta 2.48%	Ryman Healthcare 2.71%	CSR 2.69%

Investment Highlight

Alexander Whight
Portfolio Manager

One of the world's most important technology companies, that you've never heard of

Taiwan Semiconductor Manufacturing Company (TSMC) embodies many of things we look for at Milford. #1 in a growing market, an (increasingly) wide competitive moat, solid financials, an enviable culture, a fortress balance sheet. The shares have delivered, gaining >70% the past 12 months and the 27% p.a. 10-year return reflects the growth and dominance TSMC enjoys.

Computing power has changed our lives. We take for granted a phone that fits in our pocket yet can conduct video calls with someone across the world. A phone that helps us navigate untravelled paths to a destination determined by the reviews we've accessed on that same device. A phone that enlightens our commute with on-demand delivery of binge-worthy TV, music and cutting-edge gaming. It's a far cry from the traditional telephone. Technology-driven change will not abate with the onset of cloud computing, AI and electric and semiautonomous vehicles, to name a few.

This progress is heavily dependent upon semiconductor development, and more specifically TSMC. Designing ever faster, smaller, more energy-efficient chips that can be mass-produced reliably requires challenging improvements in production processes leveraging know-how built-up over decades. It is also one of the most capital-intensive industries globally (some tools sell for >US$100m each). Advancing chip production has claimed many casualties and is largely outsourced by "fabless" chip design companies to a handful of "foundries".

Enter TSMC, with US$3bn annual R&D and a best-in-class manufacturing track record. TSMC pioneered the foundry business model in 1987 and has been global #1 ever since. In 2019, TSMC produced 10,761 different products using 272 different process technologies to serve hundreds of customers. It has a 56% market share, over 3 times larger than Samsung, arguably TSMC's only competitor still in the development race. Its share of advanced chips (60% of their third quarter 2020 sales) is even higher.

We believe the long-term outlook for semiconductor demand is favourable. TSMC should grow sales >30% in 2020 and its technology leadership positions it to outpace an estimated 5%+ p.a. industry growth in the future. Recent indications Intel may outsource are a further positive, potentially adding US$20bn to Foundry industry revenues over time.

Of course, the economics of the investment must be considered alongside the economics of the business. Valuation wise, TSMC trades on 25 times its future earnings, much higher than the three-year average of 18 times. This may be fair but leaves vulnerability to earnings disappointment. We remain actively vigilant.