

Milford Australian Absolute Growth Fund

February 2021



Portfolio Managers



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Portfolio Manager



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Portfolio Manager

The Australian Absolute Growth Fund rallied strongly in February up 4.3%, compared to 1.5% delivered by the ASX 200 index. This brings the return for the Fund over the last twelve months to 17.2%, well ahead of the 6.5% return by the ASX 200 and 5.2% by the benchmark (RBA cash rate + 5%).

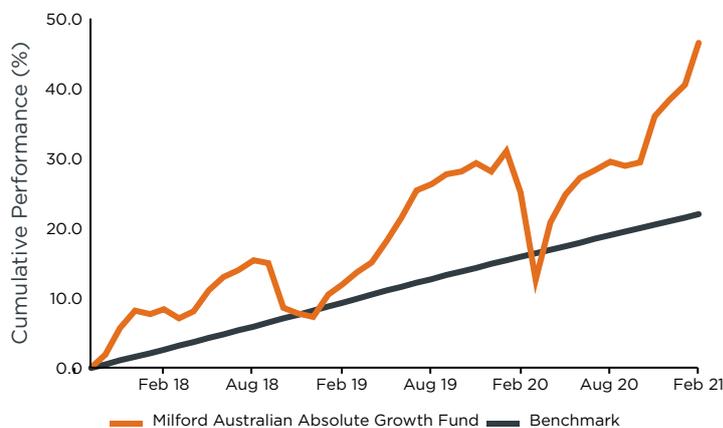
This outperformance was driven by a higher allocation to miners and financials and avoidance of expensive growth stocks and rate-sensitive bond proxies. As the market became more optimistic about vaccine rollouts, and then concerned about an overheating economy, cyclical companies like miners and financials rallied while bond yields broke higher causing growth stocks to sell-off. While we retain core positions in select long-term growth companies, we have exited growth stocks that have reached or exceeded our view of a sensible valuation.

Virgin Money UK, an ASX listed UK bank was our strongest performer over the month. It rallied 39.5% as investors took a less pessimistic view towards bad debts and profit margins. Our mining company investments also made large contributions with BHP (+12.8%), RIO (+15.3%), OZ Minerals (+20.1%) and IGO (+9.5%) the key performers. Rounding off our top performers were small cap stock picks Universal Stores (+21.4%) and Sealink (+32.6%) which both reported very strong results.

As the Fund took profits on our fully valued positions over the last two months, we made the decision to allow cash to increase. The Fund is already well positioned in the cyclical companies that we expect to do well over the coming year, so we did not need to deploy more capital into these companies at higher prices. The strong share market returns over the last year have pushed the valuations on certain parts of the market to levels where we see unfavourable risk-return dynamics. As such we will avoid these areas and wait for opportunities to deploy our cash into businesses where the risk-return equation is favourable.

The Fund had purchased some put option protection during the month to protect against a tail risk market sell-off. We report our exposure to derivatives as the delta value which reflects the estimated equity market exposure of put options. When the market falls sharply – as it did on the final day of February – the delta exposure of the put options increases temporarily and reduces the reported Australian equity exposure and increases the reported ‘Cash and Other’ exposure. The put options provide us significant protection if the market falls but cost us relatively little if the market rallies.

Investment Performance to February 2021*



* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

Key Fund Facts

Objective	Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital
Description	A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging.
Benchmark	RBA Cash Rate + 5% p.a.
APIR	ETL8155AU
mFund Code	MFA01
Redemption Price as at 28 Feb	\$1.2589
NAV as at 28 Feb	\$155.7 Million
Inception Date	October 2017
Minimum Investment	\$20,000
Recommended Investment Timeframe	5 years +
Buy-sell Spread	+/-0.20%
Entry/Exit Fee	Nil
Distribution Frequency	Annual (30 June)
Management Fee*	1.00%
Capped Expense Recovery*	0.10%
Performance Fee*	15% p.a. of returns above the benchmark subject to achieving the high watermark.
Fund Pricing	Daily

Fees are stated exclusive of GST.

Investment Performance to February 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Australian Absolute Growth Fund	4.29%	13.10%	17.16%	10.57%	-	11.85%
Benchmark	0.38%	2.52%	5.21%	5.92%	-	6.00%
Over/Underperformance	3.91%	10.58%	11.95%	4.65%	-	5.85%
S&P/ASX 200 (TR) Index	1.45%	11.47%	6.48%	7.38%	-	8.76%
Over/Underperformance	2.84%	1.63%	10.68%	3.19%	-	3.08%

Past performance is not a reliable indicator of future performance.

* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

** Inception date of the Fund is 2 October 2017.

Top Security Holdings

Holdings	% of Fund
NAB	6.64%
CSL	4.63%
IGO	3.70%
Telstra	3.45%
Charter Hall Retail	3.05%
BHP	3.04%
IAG	2.75%
Rio Tinto	2.52%
Virgin Money	2.49%
Qantas	2.48%

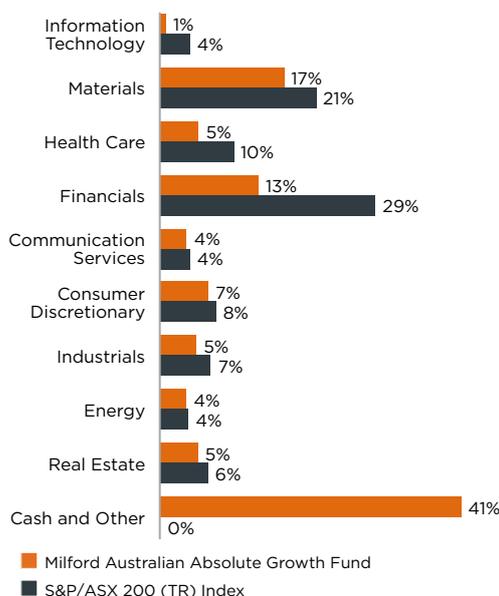
Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities*	59.18%	75-85%	0-100%
Cash and Other #	40.82%	0-10%	0-100%

* Includes New Zealand Equities

Cash and Other reported above is adjusted to reflect the Fund's notional positions.

Sector Allocation



Ratings



Awards



Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report. There have been no changes to the key service providers or individuals playing a key role in investment since the PDS was issued.

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