Milford Investment Funds
Monthly Review April 2021

Lift-off

The past year has seen share markets and Milford Funds recover dramatically from the dark days of March 2020. Some of the one-year returns are very high. However, investors should bear in mind that whilst the outlook is rosy, share markets are forward looking and current prices already reflect some investor optimism.

The global economic outlook is built on a foundation of a strong global business sector (particularly manufacturing), coupled with increased household savings and a pending reduction in social distancing restrictions (enabled by accelerating vaccination programs). We are already seeing some impressive data points from the US as we monitor economic performance, and we expect these to continue for the next few months as consumption improves.

The New Zealand and Australian economies are expected to improve at a more sedate pace in comparison. Nonetheless, the fortunes of some companies in both countries are tied to global rather than local developments. For that reason, it pays to focus on the dramatic changes about to happen in the rest of the world.

Share market performance in March reflects optimism over a return to normalcy in both travel and entertainment. Cinema software maker Vista Group and travel software company Serko saw share price gains of 29% and 22% respectively.

Businesses continue to replenish inventories, leading to stronger demand for raw materials. Australian steel product producer Bluescope was up 16% in March, benefitting our Australian Funds. Global housing markets also continue to appreciate, including the US. A core global holding is homebuilder DR Horton, its shares were up 16% in March.

Strong global growth is creating infationary pressures. This is refected in higher government bond yields (bond prices are falling). We have managed this move well in our diversifed Funds through reduced exposure to longer-dated bonds. We are wary of further increases in bond yields as this would likely weigh on expensive parts of the share market.

Whilst we remain broadly positive on shares, we are unsure of just how strong or sustainable the current growth impulse is. A fading growth outlook, higher bond yields or increased corporation tax in the US are just some of the issues share investors may have to deal with in the coming months.

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Conservative Fund

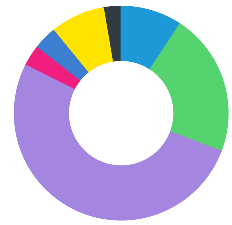
Portfolio Manager: Paul Morris

The Fund returned 0.8% in March, partially recovering weakness seen in the year to date. It is now up 10.6% over 1-year. Performance in the month was driven by its share exposure as bond returns were minimal due to the ongoing headwind of rising market interest rates.

Global shares were the largest contributor. Australian shares were broadly stronger with notable gains from the Fund's property shares and Telstra (its largest Australian share holding). While the aggregate NZ share market was also higher, performance across Fund holdings were mixed; gains for Contact Energy (its largest NZ share holding) but weakness across shares including Meridian Energy, Chorus and Investore Property.

Looking ahead, our base case remains moderately optimistic. Supportive fiscal and monetary policy should boost activity and earnings, allowing share valuations to navigate likely rising interest rates. Overall share exposure is therefore close to long-run neutral. Bond exposure is still predominately to corporate bonds which we believe will outperform government bonds and cash over time. That said, we are acutely aware that inflation is a threat, for bonds but also many shares. This makes active management of the Fund's interest rate exposure critical to cushion returns from rising rates. To that end while market interest rate levels are less extreme, we retain interest rate exposure below the long-run neutral. In aggregate, this approach should underpin a moderate medium-term Fund return although (i) near-term monthly returns could be more volatile and (ii) medium-term returns should moderate relative to recent years.

Actual investment mix [1]



The actual cash held by the Fund is 7.18%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

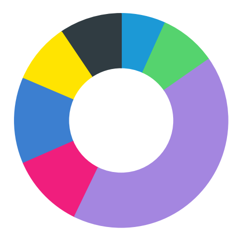
Diversified Income Fund

Portfolio Manager: David Lewis

The Fund had a strong month in March rising by 1.7%. Share markets performed well (~4% globally, and 2-3% in Australasia), and income or dividend-oriented shares outperformed following declines earlier this year. Similarly, bond markets in Australasia made a partial recovery from February's losses (rising 0.2% in March for corporate bonds, and towards 1% for government bonds). However, global bond markets remained soft (-0.4%) as economic strength in the US pushed market interest rates higher.

The Fund has continued to benefit from strategies (using bond futures, for example) to mitigate the impact of US bond market weakness. Standout performers this month were Mirvac (+12.1%), which led broader gains in the Fund's Australian property holdings, and Telstra (+10.4%). Telstra was added to the portfolio last year and is now the third largest share holding at 1.9%. It is benefitting from an improved competitive landscape, and offers an attractive valuation.

Looking ahead, we remain optimistic about prospects for economic growth this year as both fiscal and monetary policy support, and vaccines, should drive a rebound in activity globally. Alongside generally fair valuations for our holdings this suggests a reasonably positive outlook for shares. We are more cautious on the outlook for bonds. However, once the process of rising interest rates is over, returns for the Fund (and other income-oriented assets) will benefit from higher yields.



The actual cash held by the Fund is 6.13%. 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.

Balanced Fund

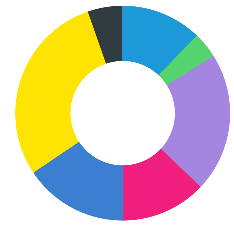
Portfolio Manager: Mark Riggall

The Fund returned 2.4% in March with a one-year return of 24.8%. Investors continue to contemplate the reopening of economies, accelerating economic growth and improvements in company profits. This is manifesting itself in falling bond markets and higher share markets.

The Balanced Fund has a large neutral exposure to bonds - typically 30-35% of the Fund. To protect this part of the portfolio, we have actively reduced our exposure to long-term bond prices. This has seen the income part of the portfolio deliver a flat performance in the past 3 months despite global bond markets falling around 4%. The remainder of the Fund is typically invested in shares. Due to the improved outlook over the past 6 months, we have increased this to around 64%, helping capture the strong performance from share markets over this period.

This is in addition to the careful selection of stocks that is happening within the underlying funds. We have been rotating our share holdings into companies that can benefit from improved economic growth, notably financials, semiconductor companies and resources companies. As we look ahead, the improving economic outlook is tempered by already strong investor sentiment, rising interest rates, elevated valuations and the prospect of increased corporation taxes in the US. As a result, we are cautiously bullish and will look to reduce exposure to share markets on further price gains.

Actual investment mix [1]



- Effective Cash# 12.21%
- New Zealand Fixed Interest 3.95%
- International Fixed Interest 20.98%
- New Zealand Equities† 12.84%
- Australian Equities 15.58%
- International Equities 29.08%
- Listed Property 5.36%
- Other* 0%

The actual cash held by the Fund is 11.62%. 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

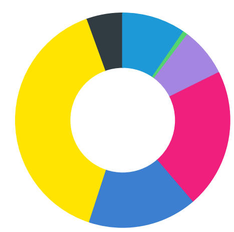
Portfolio Manager: Jonathan Windust

The Fund rose 3.4% in March with good returns from share markets; global (+4.3%), Australia (+2.5%) and New Zealand (+2.9%). Share markets focused on the positive economic outlook supported by low rates and high levels of government spending. The United States economy is forecast to grow around 6.0% in 2021 the strongest growth since 1984. The Fund performed in line with market returns for the month.

Key positives during the month were US companies exposed to consumer spending and the housing market including; Lowes (+19.0%), Home Depot (+18.9%) and DR Horton (+15.9%). Home Depot and Lowes sell home improvement and building materials and are benefitting from US government stimulus checks paid during the month and high levels of personal savings. DR Horton is the largest homebuilder in the US and is benefitting from a positive housing market. During the month the Fund added to holdings in CNH Industrial the producer of agricultural, construction and industrial equipment; including Case and New Holland tractors. We believe the CNH is attractively valued and well positioned to benefit from increased spending on farm equipment due to the substantial rises in many commodity prices.

The outlook for shares is supported by the prospect of strong economic growth, improvements in company earnings, continued low short-term interest rates and high levels of liquidity. The key headwind for markets is relatively high market valuations, generally optimistic investor sentiment and the prospect of rising interest rates and company taxes. On balance we retain a positive outlook for shares but given the high levels of optimism, we remain selective in our investments and look to avoid over inflated companies and those sensitive to rising long-term interest rates.

Please note this Fund is closed to new investors.



- Effective Cash# 9.60%
- New Zealand Fixed Interest 0.72%
- International Fixed Interest 7.37%
- New Zealand Equities‡ 21.07%
- Australian Equities 16.25%
- International Equities 39.45%
- Listed Property 5.54%
- Other* 0%

The actual cash held by the Fund is 5.24%. 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 0.23% ‡Includes unlisted equity holdings of 1.55% *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 0.8% in March which brings returns over the last year to 31.6%.

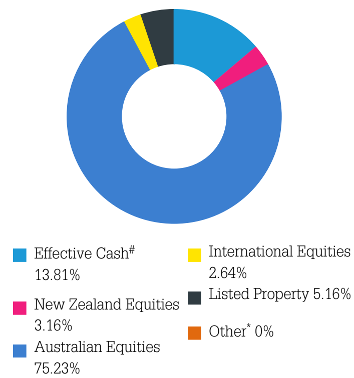
Telstra rallied 10.4% as investors focused more on its potential valuation following the upcoming separation of its infrastructure assets next year. This is a key reason why we see still further upside in Telstra over the medium term.

We also had strong returns from US focused cyclical companies. Aristocrat (+13.1%) is benefitting from the reopening US economy while Bluescope (+16.0%) has a large North American steel business that is generating enormous levels of cash flow as margins on US steel products sustain record levels. Bluescope's Australian operations are also doing very well due to strong demand for Colorbond roofs.

During the month we added a US listed company called CNH Industrial. CNH is the world's second largest manufacturer of large farming equipment e.g. tractors. We anticipate farming equipment sales to be extremely strong over the coming years as many agricultural commodity prices reach decade highs. This should translate to high farmer cashflows and reinvestment in farming equipment.

Our cash levels declined to 8% over the month as the pullback in various cyclicals we were waiting for occurred. In addition to CNH, we added BHP and RIO (iron ore miners), Northern Star (gold miner), Santos (natural gas), CSL (plasma products), Contact Energy and various banks that pulled back later in March.

Actual investment mix [1]



The actual cash held by the Fund is 7.88%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

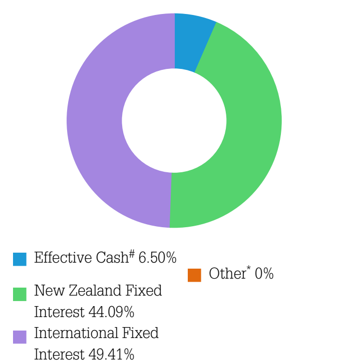
Trans-Tasman Bond Fund

Portfolio Manager: Paul Morris

March was another volatile month for bond markets. Australian government bond yields fell from February highs while New Zealand government bond yields plunged after the government announced new measures to address rising house prices that went further than most market participants expected. Nonetheless, both markets saw yields ending the month well above their lows, dragged higher by US government bond yields which continued to rise. The Fund remains predominantly exposed to corporate bonds and we continue to think they will outperform government bonds in the near-term as stronger economic growth keeps government bond yields elevated and company balance sheets continue to strengthen.

Many of the Fund's NZ dollar corporate bonds outperformed both government and government related bonds. On the other hand, Australian dollar corporate bonds generally moderately underperformed government bonds as buyers remained wary of longer-dated bonds and increased new issuance from companies. The Fund still had a constructive month finishing up 0.2%, which exceeded its benchmark, in large part due to a lower than neutral exposure to interest rates.

During March we increased Australian dollar corporate bond exposure as valuations improved; adding new bonds from Stockland and BWP (both property companies) and Aurizon (rail). We also added a new Euro bond from APA Pipelines. The Fund retains lower interest rate exposure relative to the benchmark. While short-dated bond yields are likely anchored by central bank cash rates, longer-dated bond yields may still be pushed higher by offshore market moves.



The actual cash held by the Fund is 2.38%. 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

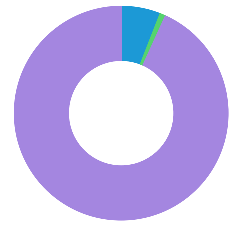
Portfolio Manager: Paul Morris

Global bond markets had a mixed March, led by higher US government bond yields, as markets continue to price higher inflation. Optimism for economic growth was the key driver which contributed to a constructive month for risk assets. Corporate bonds generally outperformed government bonds (yields rising less), despite high bond issuance.

Once again, the Fund's lower than neutral interest rate exposure offset some of the impact on returns from higher yields, and Fund performance was flat in the month. During the month, we sold some Australian dollar corporate bonds to buy European and US dollar alternatives where near term supply and demand dynamics appear more favourable. The Fund remains positioned for the risk of higher yields, retaining below neutral interest rate exposure. This is focused in the US where expected fiscal stimulus is likely to keep yield risk skewed to the upside. We may take profit on this below neutral interest rate exposure should upside yield risks moderate.

In the near-term, we are still constructive on corporate bonds relative to government bonds as (i) the growth outlook should support company balance sheets and (ii) heading into earnings season bond issuance has historically been lower. We will continue to actively optimise the Fund's corporate bond exposure across different markets. Relative to neutral we remain overweight to investment grade bonds and maintain a preference for the subordinated bonds of investment grade corporates (including banks) over the weaker parts of the high-yield market which do not offer sufficiently high incremental returns.

Actual investment mix [1]



Effective Cash# 5.94%
Other* 0%
New Zealand Fixed Interest 0.86%
International Fixed Interest 93.20%

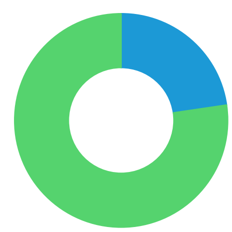
\# The actual cash held by the Fund is 4.08%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Cash Fund

Portfolio Manager: Paul Morris

NZ dollar bank bills, a reflection of interbank funding levels, remain historically low but did continue to incrementally rise from last year's lows. That said, last month's NZ Government housing policy announcement has underpinned market expectations for limited chance of a Reserve Bank of New Zealand (RBNZ) Official Cash Rate (OCR) hike over the next year. This is inline with our base case view for the OCR to remain on hold for the next 12 months at least.

We continue to observe that excess liquidity in the financial system (exacerbated by the RBNZ's Funding for Lending Programme or FLP and Quantitative Easing) means a lot of money will be chasing short-dated assets. That will cap the yields/interest rates available and as we previously discussed likely diminish the excess return over the OCR the Fund can generate over the near and medium term. We would however reiterate that these 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.



Effective Cash# 22.68%
Other* 0%
New Zealand Fixed Interest 77.32%

\# The actual cash held by the Fund is 22.68%. 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 rose 4.4% in March. Over 2 years, the Fund returned 39.9% compared to the market index return of 34.0%.

Key positive contributors included US domestic housing-related names Home Depot (+18.9%) and DR Horton (+15.9%). As the US economy reopens, consumer spending is rebounding, and new home demand is booming. Homebuilders are seeing double-digit price increases and strong order volumes.

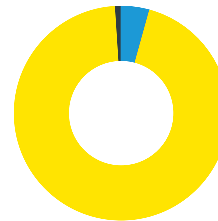
US health insurance operator Anthem (+18.8%) rose as investors took comfort from the recovery in US employment. Employer-paid health plans are more generous than state plans and are higher margin for Anthem.

Detractors included COVID-19 winners as investors anticipate a successful vaccine rollout. Shopify (-13.6%) came under profit-taking. The shares were up significantly over one year on the back of small businesses selling more products and services online.

Tencent (-7.9%) fell as it came under the regulatory spotlight in China. The Fund added to this position on weakness as the outlook for discretionary spending on digital content remains favourable.

The Fund continues to assess opportunities on a forward-looking basis. We are optimistic on the economic outlook given the positive vaccine developments which provide light at the end of the tunnel. The portfolio remains focused on our key investment themes and dominant companies.

Actual investment mix [1]



Effective Cash# 4.31%
Listed Property 1.02%
International Equities 94.67%
Other* 0%

The actual cash held by the Fund is 6.96%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

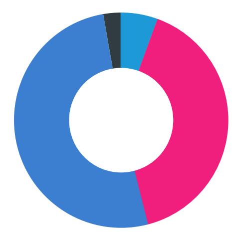
Trans-Tasman Equity Fund

Portfolio Manager: Sam Trethewey & Wayne Gentle

The Fund returned 2.6% in March. It is now a year since markets hit COVID-19 lows, over the past year the Fund has returned 39.8% and has comfortably reached new highs. March saw 'reopening trades' rally (stocks exposed to the reopening of economies) and the NZ electricity sector remain under passive fund selling pressure.

Highlights in March included cinema software developer Vista (+29.4%), steel producer Bluescope (+16.0%), and corporate travel software developer Serko (+22.0%). All companies benefitted from the reopening trade. In addition, Serko also provided an update on their partnership with Booking.com, announcing that they had begun the transition of existing Booking.com for business customers to a new platform powered by Serko. This partnership represents a large opportunity for Serko. During the month the NZ government announced the removal of interest tax deductibility from investment properties, this has the potential to impact the retirement village sector. Retirement village unit prices have had a strong relationship with house prices historically, however, increases made by village operators over the past 12 months have been significantly outpaced by the increase in house prices providing a material buffer. Elsewhere, we increased our exposure to the NZ electricity companies into the passive fund selling pressure and we added to Rio Tinto, Wesfarmers and National Australia Bank on share price weakness.

Looking ahead, it is evident that both NZ and Australia have had a shallower economic pullback than many of the major offshore economies and are further into the recovery. Local equity markets appear to be becoming increasingly confident that the impact of COVID-19 is unlikely to extend materially beyond 2021. We are monitoring the vaccine rollout and timing of international travel as key risks to this view and have positioned the Fund accordingly. The Australian equity market has a far larger exposure to international cyclical stocks like iron ore miners Rio Tinto and BHP and is therefore more exposed to the global recovery. 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 Mainfreight, Xero and Fisher & Paykel Healthcare) and avoid those where we see stretched balance sheets, earnings or valuation risk.



Effective Cash# 5.60%
Listed Property 2.77%
New Zealand Equities 40.45%
Other* 0%
Australian Equities 51.18%

The actual cash held by the Fund is 7.21%. 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

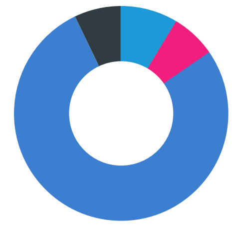
Portfolio Manager: William Curtayne & Michael Higgins

It has been an exceptional 12 months for the Dynamic Fund, having delivered a 61.2% return, 7.9% ahead of the ASX/Small Ordinaries benchmark. The Fund returned 0.2% return in March, 0.6% behind the benchmark.

Performance was led by a diverse mix of businesses over the month. We had a strong contribution from the Bank of Queensland (+17.7%) capital raise, and we opportunistically supported the sell-down of Genworth Mortgages (+12.3%). Both businesses are benefitting from accelerating housing credit growth and stronger house prices which underpin lower bad debts and insurance losses. Other winners include Bluescope (+16.0%) which generates significant cash flows from US steel products, as steel margins remain elevated.

Detractors included portable respirator manufacturer and distributor CleanSpace Technologies (-67.2%) and lithium and nickel miner IGO (-10.7%). In the past few years economic growth has been scarce, which has partly explained the valuation premium attributed to technology companies. Now, the prospect of a broad recovery in economic activity has become real and importantly more expansive. This is being driven by steady progress on vaccinations and steady fiscal and monetary support. With this in mind, we continue to favour companies with exposure to an economic recovery over stocks where valuations have become stretched.

Actual investment mix [1]



Effective Cash# 8.66% | Listed Property 7.17%

New Zealand Equities 6.77% | Other* 0%

Australian Equities 77.40%

The actual cash held by the Fund is 8.74%. 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)	22/04/2021
Diversified Income Fund	1.1 cents (Quarterly)	20/05/2021
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	17/06/2021
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/06/2021

*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*	0.78%	10.62%	5.91%	6.27%	6.31%	1.2297	552.3 M
Diversified Income Fund*	1.68%	14.96%	7.51%	8.02%	10.60%	1.8520	2,507.3 M
Balanced Fund	2.36%	24.77%	9.83%	9.62%	10.07%	2.7605	1,245.6 M
Active Growth Fund#	3.42%	35.02%	12.05%	11.76%	12.75%	4.7062	1,532.4 M
Australian Absolute Growth Fund	0.77%	31.63%	10.72%	—	10.10%	1.3400	324.6 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.18%	4.58%	4.47%	4.55%	5.22%	1.1947	880.9 M
Global Corporate Bond Fund*^	0.00%	9.45%	4.71%	—	4.94%	1.1031	830.8 M
Cash Fund	0.04%	0.37%	—	—	1.09%	1.0229	102.4 M
Equity Funds							
Global Equity Fund†	4.40%	38.06%	13.63%	12.13%	10.18%	2.1428	1,070.6 M
Trans-Tasman Equity Fund*	2.60%	39.82%	15.90%	15.32%	12.08%	3.7387	779.9 M
Dynamic Fund	0.19%	61.22%	15.17%	15.01%	14.20%	2.6750	612.7 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance.
Performance figures are after total Fund charges have been deducted and at 0% PIR.
Please note past performance is not a guarantee of future returns.
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)	2.92%	28.94%	15.66%	14.32%	14.86%
S&P/ASX 200 Accumulation Index (AUD)	2.44%	37.47%	9.65%	10.25%	7.70%
S&P/ASX 200 Accumulation Index (NZD)	4.60%	44.87%	10.44%	9.83%	7.97%
MSCI World Index (local currency)*	4.21%	50.74%	13.26%	13.35%	10.69%
MSCI World Index (NZD)*	7.27%	30.39%	13.93%	13.16%	13.14%
S&P/NZX 90-Day Bank Bill Rate	0.03%	0.33%	1.29%	1.63%	2.13%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-0.39%	1.50%	4.32%	3.29%	3.75%
S&P/NZX NZ Government Bond Index	0.71%	-1.57%	3.62%	3.27%	4.60%

*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% 2026 2.09%	Contact Energy 2.43%	Fisher & Paykel 1.82%	Fisher & Paykel 3.97%	NAB 6.98%
Housing NZ 3.36% 2025 1.00%	Spark 2.07%	Spark 1.58%	Spark 3.32%	BHP 6.76%
NZLGFA 1.5% 2029 0.96%	Telstra 1.94%	Contact Energy 1.54%	Virgin Money 2.75%	CSL 5.76%
NZLGFA 3.5% 2033 0.87%	Scentre Group 5.125% 2080 1.86%	Alphabet 1.16%	Summerset 2.38%	Rio Tinto 5.16%
Transpower 1.735% 2025 0.82%	NAB 1.75%	Microsoft 1.14%	Alphabet 2.24%	Telstra 3.87%
ANZ Bank Float 2024 0.81%	Goodman 1.41%	Telstra 1.11%	Microsoft 2.24%	Santos 3.48%
Macquarie Float 2025 0.80%	Meridian 1.37%	NAB 1.10%	Dr Horton 1.97%	IGO 3.45%
Scentre Group 5.125% 2080 0.79%	Woolworths 1.32%	Mainfreight 0.91%	HCA Holdings 1.92%	Northern Star 3.13%
John Deere 1.75% 2024 0.77%	Transurban 1.31%	Summerset 0.88%	Contact Energy 1.91%	Charter Hall Retail 3.07%
Charter Hall 2.787% 2031 0.77%	Coles 1.02%	Scentre Group 5.125% 2080 0.86%	Lowe's 1.91%	Aristocrat Leisure 3.05%

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% 2026 4.61%	Seagate 4.091% 2029 1.55%	Westpac 32 Day CMD 2020 17.60%
Housing NZ 3.36% 2025 2.30%	Kerry Group 0.625% 2029 1.53%	Meridian CD 2021 8.00%
NZLGFA 1.5% 2029 2.20%	American Tower 3.8% 2029 1.51%	SBS CD 2021 7.32%
NZLGFA 3.5% 2033 2.01%	Danaher Corp 0.45% 2028 1.47%	Auckland Airport CD 2021 4.88%
Transpower 1.735% 2025 1.88%	McDonald's 3% 2024 1.44%	Port of Tauranga CD 2021 4.88%
ANZ Bank Float 2024 1.85%	Verizon 0.75% 2032 1.41%	TSB Bank CD 2021 4.88%
Macquarie Float 2025 1.85%	NXP BV 4.3% 2029 1.37%	TSB Bank CD 2021 4.88%
Macquarie Float 2025 1.75%	John Deere 1.75% 2024 1.36%	Genesis CD 2021 4.39%
Westpac 1.439% 2026 1.69%	Macquarie 3.052% 2036 1.32%	Port of Tauranga CD 2021 3.90%
B & A Bank Float 2025 1.60%	John Deere 0.70% 2026 1.26%	Spark CD 2021 3.90%

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 3.74%	Fisher & Paykel 7.65%	Collins Foods 4.62%
Microsoft 3.67%	Mainfreight 4.28%	Sealink Travel 3.74%
Amazon 2.93%	Xero 4.26%	IGO 3.67%
Intercontinental Exchange 2.82%	CBA 3.78%	Virgin Money 3.59%
Apple 2.78%	CSL 3.42%	Seven Group 3.48%
HDFC Bank 2.45%	Infratil 3.34%	EML Payments 3.42%
TSMC 2.43%	NAB 3.30%	Northern Star 3.19%
Paypal 2.38%	Ryman Healthcare 2.74%	Lifestyle Communities 2.80%
Home Depot 2.29%	Rio Tinto 2.67%	HUB24 2.74%
Dr Horton 2.29%	BHP 2.58%	Bapcor 2.51%

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 $30.9 million invested across our Investment Funds as at the end of March 2021.

Michael Higgins
Portfolio Manager

Investment Highlight: SeaLink Travel Group

Don't judge a book by its cover!

SeaLink is Australia's largest multi-modal transport service provider, with capabilities across ferry, bus and light rail. Our investment in SeaLink has now returned around 150% over the past 18 months and was one of our best performing companies in 2020. I'm sure you're asking, how did a tourism exposed ferry business deliver such an extraordinary performance during a pandemic, and devastating Australian bushfires? Let me tell you why you can't always judge a book by its cover!

Prior to September 2019, the majority of SeaLink's revenue was derived from ferry operations across a number of key tourism assets in Australia. These include stunning destinations like Kangaroo Island (South Australia), Fraser Island and North Stradbroke Island in Queensland. The business however was relatively mature and lacked growth options.

In October 2019, SeaLink announced the acquisition of Transit Systems Group (TSG) and we participated in the equity raise at $3.50 per share. I knew TSG well as they manage the inner-west region of Sydney and operate the bus I take home every evening after work! TSG is Australia's largest private operator of metropolitan public bus services, with international operations largest private operator of metropolitan public bus services, with international operations inLondon and Singapore. The acquisition was effectively a back door listing of a much larger business – SeaLink generated revenues of $251m in their 2019 financial year and are now expected to reach $1.1bn in 2021.

The acquisition of TSG transformed SeaLink. It expanded the business geographically, introduced new end-markets and verticals, transitioned a lot of their revenue from transactional to contracted and most importantly, added growth options. The revenue profile of the group was reshaped from being 67%exposed to tourism to 15% tourism/85% commuter. Commuter contracts are long-term in nature, with significant exposure to trusted government counterparts. Importantly, these contracts hold 'no fare box risk' on passenger patronage, which means revenue is based purely on frequency of bus routes and not the number of passengers using the service. The revenue model is also surprisingly capital light for a bus business given state governments retain ownership of the assets to ensure sufficient competition during retendering.

There was a healthy degree of market scepticism around the deal at the time given 33% of TSG's contracted revenue expired within 6 months. We were comforted by managements impressive retention track record over 24 years of 20 successful tenders and renewals with only two non-renewals. We also spoke with a number of industry participants on the ground in Sydney/Melbourne which confirmed that TSG were an exceptional operator with an impressive management team.

It was smooth sailing (pun intended) for a few months as the market digested the reshaped business. However, in December 2019, Australia was devastated by bushfires. The hit to tourism impacted the SeaLink share price and we took the opportunity to double our position. Choppy conditions didn't end there with Covid-19 border closures hitting in late-March 2020. SeaLink shares were sold-off sharply as investors presumed i) it was primarily still a tourism business, and ii) an expected sharp fall in patronage impacting revenues across key bus regions in Australia. We knew that despite retaining the old name SeaLink, the new business was more exposed to defensive commuter bus contracts, and furthermore that they held no 'fare box risk'. If anything, in our view SeaLink would be a beneficiary of Covid as more buses would likely be required on routes to ensure social distancing. We again doubled our position.

SeaLink has an extensive pipeline of opportunities in domestic and international markets. We think SeaLink is in the box seat to win ~$400m of additional annual revenue over the next 6 months following the privatisation of bus networks in New South Wales and Victoria with the tender process currently underway. They also have the balance sheet strength to support additional acquisition opportunities in new and existing key markets.