Milford Investment Funds
Monthly Review August 2021

Glass half empty?

Our Funds tracked broadly higher in July as both shares and bonds rallied in the month.

Investors can often be a glass half empty bunch. July saw investors concerned with a slowdown in global growth as many economic indicators rolled over and a Delta driven 3rd Covid wave loomed. These concerns look overblown. A key reason for a peak in growth is the fact that economies simply can't grow any faster. Red hot demand has cleared out business inventories, supply chains are stretched, and companies are struggling to hire employees fast enough.

The boom will likely continue, and although the accompanying surge in inflation will subside, it is likely to remain elevated for some time. Despite this, market expectations of future interest rates remain extraordinarily low. We think bond yields (effectively market expectations of future interest rates) are way too low and should rise. In the meantime, paltry returns on offer from government bonds make shares that much more attractive. A higher allocation to shares is enabling our Funds to access those good investment opportunities we continue to find.

Last month we saw global companies report 2nd quarter earnings, helping us understand how companies are dealing with the current environment. A standout performer in the month was HCA Healthcare which benefitted from a rebound in elective surgeries. Profits leapt 192% vs a year ago and the stock was up over 20% in July.

Shares in NZ and Australia were effectively treading water ahead of profit statements due to be released in August. Transport company Mainfreight held its AGM in July and delivered a very strong trading update with profits up 97% vs a year ago. Mainfreight is a quality operator but its results also highlight the strength of the local and global economy.

Although the backdrop remains favourable, we are vigilant to the risks. Consumers are facing rising prices, and this could dampen demand. Similarly, companies are dealing with rising costs and if they can't pass these costs on then profit margins could shrink. Outcomes will differ by industry and by company and with the favourable backdrop in place, we continue to find attractive shares to invest in.

Milford Asset Management
Level 28, 48 Shortland Street, Auckland, 1010
Phone: 0800 662 345
Email: Info@milfordasset.com
milfordasset.com

MILFORD
INVESTED IN YOU

Conservative Fund

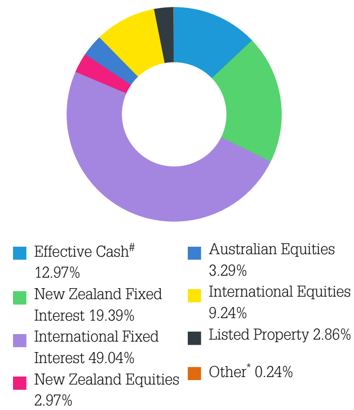
Portfolio Manager: Paul Morris

Bonds and shares contributed positively again to a 0.2% return in July but, as per in June, beneath the surface performance was more mixed. Bonds did benefit from the tailwind of a further fall in market interest rates. Unfortunately, their contribution to the Fund's return was diminished by (i) its reduced exposure to interest rates (as we feared rates would rise) and (ii) a modicum of underperformance in some of its lower rated corporate bonds.

It was difficult to call out a clear trend across the Fund's shares. Company earnings have generally been strong although valuations are no longer cheap, however lower interest rates have helped. The Delta variant has been a headwind, notably for some Australian shares given lockdowns. Australian property companies Goodman Group (+6.9%) and Charter Hall (+5.0%) were however impressive exceptions. The Fund's global shares were generally stronger and included strong performance from US hospital HCA (+20.1%) post an impressive result, and its global water utilities (up over 10%). The Fund also had a small allocation to Sydney Airport which gained 34.9% after a takeover bid.

Looking forward, ongoing growth, historically low interest rates and excess cash liquidity support a reasonable outlook for returns, albeit short-term volatility may increase. We remain wary of bonds given elevated valuations and the risks of higher interest rates. While we anticipate higher interest rates, our base case sees a lower eventual peak to this interest cycle which should support shares. We therefore retain a higher allocation to shares than the long-term neutral.

Actual investment mix[1]



The actual cash held by the Fund is 9.56%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

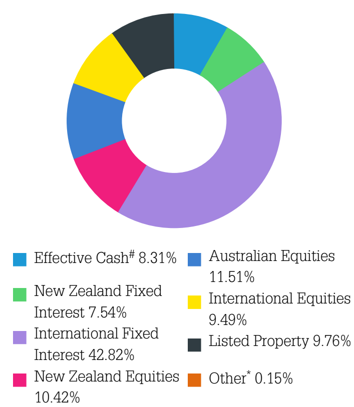
Diversifed Income Fund

Portfolio Manager: Paul Morris

The Fund returned 0.3% in July. Performance was mixed across holdings as markets navigate a bumpy reopening and a likely transition towards less fiscal and monetary stimulus. Market interest rates have surprised by falling further. The resulting higher bond prices contributed positively to returns but the Fund's benefit was diminished by (i) its reduced exposure to interest rates (as we feared rates would rise) and (ii) mild underperformance of some lower rated corporate bonds.

It was difficult to call out a clear trend across the Fund's shares. Company earnings have generally been strong although valuations are no longer cheap, however lower interest rates have helped. The Delta variant has been a headwind, notably for some Australian shares given lockdowns. Nevertheless, Australian property companies Goodman Group (+6.9%) and Charter Hall (+5.0%) were impressive exceptions. Other strong performers included US hospital HCA (+20.1%) after a strong result, Mainfreight (+7.4%) which gave a strong trading update, and the Fund's global water utilities (benefitting from lower interest rates). The Fund had a small allocation to Sydney Airport which gained 34.9% after a takeover bid.

Looking forward, ongoing growth, historically low interest rates and excess cash liquidity support a reasonable outlook for returns, albeit short term volatility may increase. We continue to remain wary of bonds, retaining lower interest rate exposure given the risk of higher interest rates. We retain a higher allocation to shares than the long-term neutral. While we anticipate higher interest rates, our base case sees a lower eventual peak to this interest cycle which should support shares.



The actual cash held by the Fund is 5.16%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

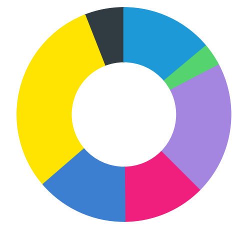
Balanced Fund
Portfolio Manager: Mark Riggall

The Fund returned 0.7% in the month with a 1-year return of 16.9%. There are signs that global growth is peaking. This is largely due to constraints on supply of goods and labour, as opposed to a cooling of the red-hot demand from consumers as they emerge from lockdowns.

The main implication of peaking growth has been a fall in government bond yields. We have expected the opposite to happen, and still believe that bond yields are way too low given the growth and inflation backdrop. Nonetheless, low bond yields increase our conviction in our key positions, bonds are relatively unattractive, whilst share valuations are supported. That's not to say we expect share markets to continue marching higher, but increased exposure to shares enables the Fund to benefit from the good stock opportunities that we continue to find.

This month, top 10 holding HCA Healthcare reported stellar results and the stock was up 20.1%. Fellow top 10 holding Mainfreight was up 7.4% on the back of a strong trading update. Elevated exposure to shares is appropriate given our outlook, but it does leave the Fund more vulnerable to falls in shares should something unforeseen arise. Sharply higher bond yields remain the key risk, but the Fund's reduced exposure to bonds helps mitigate against this outcome.

Actual investment mix[1]



- Effective Cash# 13.92%
- New Zealand Fixed Interest 3.43%
- International Fixed Interest 20.14%
- New Zealand Equities† 12.37%
- Australian Equities 13.80%
- International Equities 30.38%
- Listed Property 5.85%
- Other* 0.11%

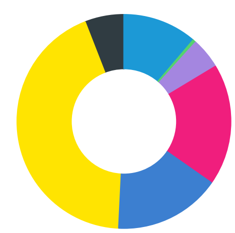
The actual cash held by the Fund is 10.92%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Active Growth Fund
Portfolio Manager: Jonathan Windust

The Fund rose 0.9% in July with strong returns from global (+1.7%) and Australian share markets (+1.1%) tempered by a negative return on the New Zealand share market (-0.5%). Global shares continue to benefit from low interest rates and generally strong company results released during the month. The New Zealand market faces the headwind of potential cash rate rises which are expected by the market to occur this year.

Key positives during the month included Australian mining companies BHP (+10.1%) and IGO (+22.0%), US hospital operator HCA Healthcare (+20.1%) and the parent company of Google, Alphabet (+7.9%). IGO is a miner of Lithium, Copper and Nickel which are all materials used in batteries to power electric vehicles. Its shares rose following the recent completion of the purchase of a joint venture which owns a world class lithium mine in Australia. HCA and Google rose after reporting strong earnings during the month with quarterly profits rising 192% and 169% respectively from the same quarter in the previous year. Both of these stocks have performed very well over the last year with HCA up 97% and Google up 82%.

The outlook for shares remains supported by the prospect of strong economic growth, robust company earnings, continued low short-term interest rates and high levels of liquidity. The key headwinds for markets are relatively high valuations, generally optimistic investor sentiment and the prospect of rising inflation and interest rates. On balance we retain a positive outlook for shares and the Fund has a higher-than-normal exposure to shares, with lower weights in fixed income where we believe prospective returns are unattractive. We continue to focus on company selection and believe there continue to be good opportunities to add value for investors.



- Effective Cash# 11.21%
- New Zealand Fixed Interest 0.49%
- International Fixed Interest 4.67%
- New Zealand Equities‡ 18.36%
- Australian Equities 16.05%
- International Equities 43.30%
- Listed Property 5.84%
- Other* 0.08%

The actual cash held by the Fund is 10.23%. 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 0.18% ‡Includes unlisted equity holdings of 1.00% *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

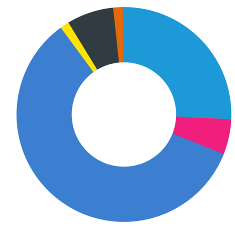
The Fund returned 0.5% in a relatively quiet July. The worsening Sydney COVID-19 Delta strain outbreak was the key economic event over the month, but even this had a relatively small impact on the equity market other than some modest weakness in banks and some other cyclicals. Once again, lockdowns in Australia are being met with fiscal support that at a broad level will keep consumer savings at a healthy level until high vaccination rates allow lockdowns to ease later this year.

Our strongest performers over the month were BHP (+10.1%), IGO (+22.0%) and DGL (+18.0%). IGO rallied as it completed its acquisition of lithium assets and the lithium commodity price saw renewed strength. Recent IPO DGL continues to attract new investor interest as the opportunity in chemicals logistics is appreciated by more market participants. DGL is a well-managed New Zealand business that has expanded to have significant operations across in Australia.

Our largest losers were Westpac and Santos which largely followed a global pullback in banks and energy companies. We expect bank share prices to improve as vaccination levels improve globally and in Australia, and central banks move into the tapering phase of monetary stimulus. Post month end Santos has announced a merger with Oil Search which we see as a positive move both strategically and for the valuation of the business.

The profit outlook for the Australian share market remains positive and we expect this to underpin a base case of continued strength in equities. Next month we look forward to opportunities that should present during August result releases.

Actual investment mix[1]



The actual cash held by the Fund is 15.59%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Aggressive Fund

Portfolio Manager: Stephen Johnston

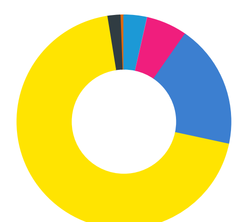
The Fund gained 2.3% in July. The MSCI World index rose for a sixth consecutive month buoyed by a very strong second quarter earnings season, particularly in the US.

A key positive contributor for the month was US hospital operator HCA (+20.1%) after reporting strong second quarter earnings that beat expectations as patient volumes in the US recovered. Encouragingly, HCA raised its earnings guidance for the second time in 2021. Alphabet (parent company of Google) continued its strong run (+7.9%) and is up a remarkable 54.4% year-to-date. Second quarter results were very impressive with faster than expected digital advertising growth. US life sciences giant Thermo Fisher gained over 7.0% for a second consecutive month supported by robust second quarter results with management increasing organic revenue guidance for 2021.

Detractors from performance included Chinese internet titan Tencent (-18.0%), that was hurt by further regulatory tightening in China. We continue to monitor regulatory developments closely.

A positive contributor in Australasia was nickel and lithium miner IGO (+22.0%), a key beneficiary of the growth in electric vehicles. Australian bank Westpac (-5.0%) detracted from performance.

Overall, the backdrop remains favourable given supportive policy and accelerated vaccine rollout. In terms of risks, we continue to closely monitor the spread of the Delta variant of the virus and the effectiveness of the vaccines. The other key risk to the outlook would be an inflation surprise that forces central banks to accelerate interest rate rises. We continue to look for opportunities focused on our key investment themes.



The actual cash held by the Fund is 6.51%. 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.

Trans-Tasman Bond Fund

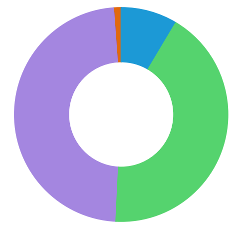
Portfolio Manager: Travis Murdoch

Fixed income markets had a mixed month in July. Australian government bond yields moved sharply lower (prices higher) as the outbreak of the COVID-19 Delta variant increased the likelihood that the Reserve Bank of Australia will be more patient in removing monetary stimulus and raising interest rates. Conversely, the Reserve Bank of New Zealand surprised markets by announcing the end of their bond purchase programme sooner than markets expected, causing a spike in shorter-dated NZ bond yields as markets priced in a higher probability of rate hikes in the near term. Corporate bonds, to which the Fund is mostly exposed, had a constructive month despite pockets of underperformance in Australia.

The Fund returned 0.5% on the month but underperformed its benchmark due largely to the drag from being underexposed to the fall in longer-dated bond yields driven by offshore markets. The Fund was active in primary markets where we added new bonds in companies including Edith Cowan University in Australia and Kiwi Property Group in New Zealand.

Looking forward, we remain constructive on corporate bonds versus government bonds as the outlook for economic growth is supportive of company balance sheets. The Fund retains below neutral interest rate exposure, focused on offshore markets, where risk remain skewed to a further move higher in interest rates.

Actual investment mix[1]



- Effective Cash# 8.57%
- Other* 1.16%
- New Zealand Fixed Interest 42.21%
- International Fixed Interest 48.06%

The actual cash held by the Fund is 4.07%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

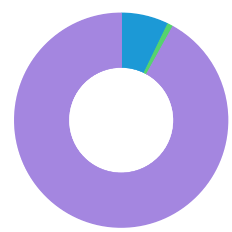
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

Fixed income markets had a mixed month in July. Government bonds generally had a strong month as prices moved higher (yields lower) due to a confluence of factors including concerns about the spread of the COVID-19 Delta variant and reassurance from major central banks that they will be patient in removing monetary policy support. The notable exception to the central bank narrative was the Reserve Bank of New Zealand who surprised the market by announcing the end of their bond purchase programme sooner than markets expected.

Corporate bond markets had a more mixed month. Europe was the outperformer as the European Central Bank signalled that their purchases of European corporate bonds may be ongoing for an extended period. The Fund returned 0.5% on the month and outperformed its benchmark in part due to its below neutral allocation to the lower rated parts of the US high yield market which notably underperformed.

Going forward, we remain constructive on corporate bonds as global economic growth underpins company balance sheets and monetary policy remains supportive. Nonetheless, the Fund maintains less exposure to the weakest parts of the high yield market where further outperformance is likely limited, retaining subordinated bonds of investment grade corporates (including banks) instead. The Fund also maintains below neutral interest rate positioning to cushion against potential impact a move higher may have on bond returns.



- Effective Cash# 7.22%
- Other* 0%
- New Zealand Fixed Interest 0.84%
- International Fixed Interest 91.94%

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.

Cash Fund

Portfolio Manager: Travis Murdoch

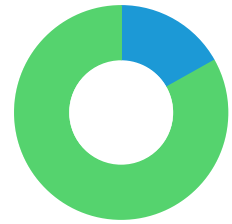
In July the Fund generated a return of 0.03%, in line with its objective to deliver a return in excess of the Reserve Bank of New Zealand (RBNZ) Official Cash Rate (OCR) after fees.

Short-dated NZ Dollar bank bills, a reflection of interbank funding levels, increased during the month and reached their highest level in over a year.

The market remains focused on the upcoming RBNZ OCR decision in mid-August and is attaching a strong probability of an OCR hike at this time given the resilience and strength of the NZ economy versus what was previously feared. The increase is benefitting the Fund by increasing the interest rates into which it can now progressively reinvest. That said, 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 is still chasing short-dated assets.

That is likely to continue to cap the yields/interest rates available and as we previously discussed, diminish the excess return over the OCR the Fund can generate over the near 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.

Actual investment mix[1]



The actual cash held by the Fund is 16.88%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Global Equity Fund

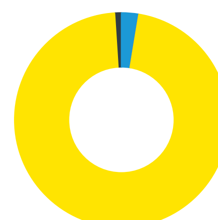
Portfolio Manager: Felix Fok

The Fund jumped up 3.2% in July. Over 2 years, the Fund is up 48.4% compared to the market index which is up 38.3%.

Key positive contributors included US hospital operator HCA Healthcare (+20.1%) after reporting strong second quarter earnings that beat expectations as patient volumes in the US recovered. Encouragingly, HCA raised its earnings guidance for the second time this year. Alphabet (+7.9%), parent company of Google and YouTube, is up a remarkable 54.4% year-to-date. Recovery in digital advertising drove strong results. Longer term, we also like its leadership in autonomous driving technology as well as high performance computing.

Detractors included media and video game companies Tencent (-18.0%) and Nintendo (-12.7%). Regulatory risk has intensified for large Chinese companies and culminated in action against the education sector during the month. The Fund has reduced exposure to Chinese companies this year and continues to weigh the risk and opportunity. Generally, video game companies benefitted from the stay-at-home requirements in 2020 but face softer growth as economies reopen. Regardless, the consumption of digital interactive media is likely to continue to grow into the future.

We are optimistic on the economic outlook given the positive vaccine developments provide light at the end of the tunnel. The portfolio remains focused on our key investment themes and dominant companies.



The actual cash held by the Fund is 4.69%. 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.

Trans-Tasman Equity Fund
Portfolio Manager: Sam Trethewey

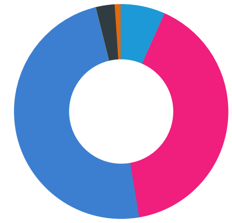
The Fund returned 0.4% in July to take the 1-year return to 22.4%. This compares to a drop of 0.5% for the NZX 50 index and a 1.1% return for the ASX 200.

Highlights for the month included Mainfreight (+7.4%) and IGO Limited (+22.0%). Mainfreight held its annual shareholders meeting where the company provided an incredibly strong trading update. Profit is tracking 97% ahead of last year driven by very elevated air freight rates across the US and Asia. While the prior year was impacted by lockdowns this was significantly ahead of expectations. Pleasingly the profit growth is not all driven by price, volumes are up also indicating market share gains. Nickel and lithium miner IGO performed strongly after completing its acquisition and benefitting from solid production and rising commodity prices. During the month we took advantage of share price weakness to add to our holdings in Fletcher Building and Auckland Airport while we trimmed Contact Energy into strength.

Looking ahead, the economic recovery from COVID-19 in NZ is now beginning to moderate. However, given many industries are operating at full capacity this provides us confidence that the current economic cycle in NZ will be elongated. Company visits conducted during the month continue to demonstrate inflation is present and will likely remain until boarders reopen. Inflation is also becoming more evident in Australia, but repeated lockdowns are making forecasting increasingly difficult. The Australian economy is now expected to contract in the September quarter but should see a bounce when restrictions are loosened. We will be monitoring our companies' ability to pass on cost pressure in the upcoming August reporting season. We are comfortable that our portfolio companies are in a strong competitive position, managing to achieve price gains to offset cost pressure and maintain margins.

Irrespective of short-term market performance, long-term returns will be 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.

Actual investment mix[1]



Effective Cash# 6.73%
Listed Property 2.84%
New Zealand Equities 40.67%
Other* 1.07%
Australian Equities 48.69%

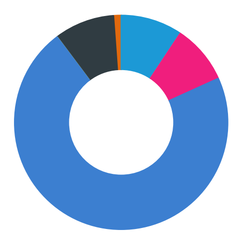
The actual cash held by the Fund is 8.28%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Dynamic Fund
Portfolio Manager: William Curtayne & Michael Higgins

Despite the extended Sydney lockdown and gradual spread of the COVID-19 outbreak to other states, domestic equity markets remained robust through July. The Dynamic Fund increased 0.9% over the month, 0.3% ahead of the S&P/ASX Small Ordinaries index.

Performance was led by diversified miner IGO (22.0%). Final quarter production results beat expectations reflecting better nickel, copper and especially lithium prices. Seven Group (14.3%) – the owner of Westrac, Coates Hire and a stake in Beach Energy – has now accumulated 70% of building materials group Boral. Incredibly, Seven has achieved effective control of up to ~$5bn in available cash for distribution. Macquarie Telecom (27.9%) announced a major data centre expansion. Exposures which detracted from performance were investment platform HUB24 (-15.6%) which had run hard and gold miner Evolution Mining (-7.1%).

Reporting season provides a great opportunity to reconnect with portfolio company management teams and reassess our investment thesis. The inevitable volatility will also be sure to uncover some hidden gems. We expect boards to be more reluctant than normal in providing quantitative guidance, which means fundamental research and industry meetings will continue to be essential. Our overall expectations remain constructive which should underpin continued strength in equities.



Effective Cash# 9.35%
Listed Property 9.12%
New Zealand Equities 8.90%
Other* 1.14%
Australian Equities 71.49%

The actual cash held by the Fund is 9.35%. 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.

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*	0.20%	5.82%	5.82%	5.79%	6.25%	1.2406	592.6 M
Diversified Income Fund*	0.30%	10.71%	7.33%	7.51%	10.56%	1.8969	2,787.6 M
Balanced Fund	0.71%	16.90%	10.02%	9.71%	10.25%	2.9027	1,561.5 M
Active Growth Fund#	0.90%	23.15%	12.22%	11.95%	12.95%	5.0144	1,903.4 M
Australian Absolute Growth Fund	0.51%	22.73%	10.92%	—	11.09%	1.4266	455.6 M
Aggressive Fund	2.26%	—	—	—	—	1.0335	620.6 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.48%	1.71%	4.46%	4.18%	5.13%	1.2028	909.2 M
Global Corporate Bond Fund*^	0.50%	4.01%	5.05%	—	4.86%	1.1125	866.8 M
Cash Fund	0.03%	0.39%	—	—	0.99%	1.0242	100.4 M
Equity Funds							
Global Equity Fund†	3.20%	28.65%	16.16%	14.50%	11.40%	2.4250	1,383.9 M
Trans-Tasman Equity Fund*	0.41%	22.35%	14.91%	15.08%	12.25%	3.9658	925.1 M
Dynamic Fund	0.93%	35.73%	15.72%	14.94%	14.77%	2.9067	815.0 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, Aggressive Fund: 21 June 2021.
*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.

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)	-0.46%	8.04%	13.06%	12.45%	14.79%
S&P/ASX 200 Accumulation Index (AUD)	1.10%	28.56%	9.48%	10.05%	8.29%
S&P/ASX 200 Accumulation Index (NZD)	-0.88%	25.78%	8.19%	10.03%	7.68%
MSCI World Index (local currency)*	1.71%	34.67%	14.16%	14.19%	11.56%
MSCI World Index (NZD)*	1.91%	28.92%	13.54%	15.04%	13.83%
S&P/NZX 90-Day Bank Bill Rate	0.01%	0.29%	1.10%	1.48%	1.99%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	1.24%	0.23%	5.01%	3.12%	3.75%
S&P/NZX NZ Government Bond Index	1.14%	-3.35%	3.56%	2.92%	4.44%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	21/10/2021
Diversified Income Fund	1.1 cents (Quarterly)	19/08/2021
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	16/09/2021
Global Corporate Bond Fund	0.45 cents (Quarterly)	16/09/2021
Trans-Tasman Equity Fund	1.5 cents (Biannually)	16/09/2021

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

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund
NZLGFA 1.5% 2026 1.88%	Contact Energy 2.32%	Contact Energy 1.85%
Housing NZ 3.36% 2025 0.89%	Telstra 1.85%	Fisher & Paykel 1.62%
NZLGFA 1.5% 2029 0.88%	Spark 1.67%	Alphabet 1.21%
Wesfarmers 1.941% 2028 0.83%	Meridian 1.67%	Spark 1.20%
NZLGFA 3.5% 2033 0.82%	Scentre Group 5.125% 2080 1.63%	Microsoft 1.20%
Transpower 1.735% 2025 0.74%	Goodman 1.34%	Telstra 1.16%
Charter Hall 2.787% 2031 0.71%	NAB 1.25%	Virgin Money 1.06%
ANZ Bank Float 2024 0.71%	Transurban 1.18%	HCA Holdings 0.98%
John Deere 1.75% 2024 0.68%	Westpac 0.99%	Mainfreight 0.95%
Macquarie Float 2025 0.67%	Atlas Arteria 0.94%	Meridian 0.92%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Fisher & Paykel 3.06%	NAB 5.50%	Microsoft 2.71%
Virgin Money 3.02%	Westpac 5.29%	Alphabet 2.68%
Contact Energy 2.82%	BHP 5.07%	Mastercard 2.09%
Dr Horton 2.31%	Telstra 4.84%	Thermo Fisher 2.03%
Spark 2.26%	ANZ 4.76%	Visa 2.01%
Alphabet 2.17%	CSL 3.50%	TSMC 1.78%
Microsoft 2.14%	Evolution Mining 3.45%	HCA Holdings 1.71%
Thermo Fisher 2.09%	Virgin Money 3.33%	S&P Global 1.66%
Summerset 2.06%	Santos 2.91%	Dr Horton 1.60%
HCA Holdings 1.96%	Sydney Airport 2.60%	Amazon 1.50%

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)

Cash and Fixed Income Funds

Trans-Tasman Bond Fund	Global Corporate Bond Fund	Cash Fund
NZLGFA 1.5% 2026 4.41%	Seagate 4.091% 2029 1.52%	Westpac 32 Day CMD 2020 19.93%
Housing NZ 3.36% 2025 2.18%	Danaher Corp 0.45% 2028 1.46%	ASB Bank 0.62% 2021 11.95%
NZLGFA 1.5% 2029 2.15%	NXP BV 4.3% 2029 1.35%	Port of Tauranga CD 2021 8.46%
NZLGFA 3.5% 2033 2.00%	McDonald's 3% 2024 1.35%	SBS CD 2021 7.46%
Transpower 1.735% 2025 1.81%	Crown Euro. 3.375% 2025 1.28%	Wellington Airport CD 2021 6.96%
ANZ Bank Float 2024 1.74%	John Deere 1.75% 2024 1.26%	Spark CD 2021 4.98%
Macquarie Float 2025 1.65%	Crown Castle 2.25% 2031 1.24%	Auckland Airport CD 2021 4.97%
Westpac 1.439% 2026 1.63%	John Deere 0.70% 2026 1.24%	Genesis CD 2021 4.48%
B & A Bank Float 2025 1.51%	Bank of America 1.898% 2031 1.22%	Spark CD 2021 3.98%
Ausgrid Finance 1.814% 2027 1.50%	Vantage Towers 0.75% 2030 1.21%	Mercury CD 2021 3.98%

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).

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Alphabet 3.91%	Fisher & Paykel 6.97%	Seven Group 4.12%
Microsoft 3.85%	Mainfreight 4.83%	Virgin Money 4.10%
Apple 2.84%	Xero 4.52%	Collins Foods 4.06%
Amazon 2.55%	CSL 3.52%	IGO 3.37%
Danaher 2.28%	Infratil 3.34%	Evolution Mining 3.01%
LVMH 2.26%	Westpac 3.33%	Contact Energy 2.90%
TSMC 2.23%	BHP 2.97%	Sealink Travel 2.85%
TransUnion 2.23%	NAB 2.97%	Lifestyle Communities 2.74%
Intercontinental Exchange 2.22%	Summerset 2.75%	Credit Corp 2.58%
S&P Global 2.21%	Fletcher Building 2.65%	EBOS Group 2.47%

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 $30.6 million invested across our Investment Funds as at the end of July 2021.

Brooke Bone
Investment Director

Investment Highlight

Coretex Limited is a privately owned NZ company that operates internationally in the heavy vehicle telematics sector. Coretex installs a hardware unit, a little bigger than a smart phone, into the cab of a heavy truck to enable that truck to communicate directly with its head office with information about the engine, how the driver is driving and often about the condition of the load onboard. It can provide real time driver feedback or notification of an incident.

These systems are crucial to manage modern fleets, which are sometimes as large at 10,000 trucks. In recent years, cameras have been added as another layer of sophistication to verify delivery or incidents.

Coretex has built its reputation on dealing with complex transport verticals, such as concrete delivery, that need deep knowledge and integration into the core enterprise planning systems of their clients.

Coretex will either sell or lease the hardware and charge an ongoing, recurring, monthly fee per truck.

Why did Milford invest in Coretex?
Milford first invested in Cortex in 2015. At that time, the technology was not fully penetrated in transport fleets in New Zealand, Australia and the United States. It was forecast that this drive to nearly full penetration was going to see a wave of fleets needing the units. We also theorised that there would need to be a second (and potentially third) wave of uptake as fleets and supply chains become more digitised and sought more sophisticated telematics units to provide greater visibility into the supply chains of large organisations.

How was Coretex impacted by COVID-19?
Coretex was in a fortunate position during the pandemic, with its customers generally considered 'essential services' so they could continue to operate. Coretex had over 60% of revenues that were recurring in nature (and this percentage increased through the pandemic). However, new sales activity was effectively paused for a nine-month period, resulting in overall revenue declining for FY21. During this period, Coretex lifted investment in its next generation hardware and software platforms so that, when markets for new products reopened in 2021, they were prepared to re-accelerate their growth.

The conditional sale of Coretex to NZX and ASX listed EROAD was announced in July. Why did Milford sell?
The global telematics market is very large and has a number of players who are 10 to 20 times the size of Coretex. That size enables massive scale benefits in terms of sales and marketing and product development. Coretex has been a technical leader in certain niche transport verticals, however the newly developed CoreHub product has broader application across the entire market, particularly in the US and Australia. The sale to EROAD will enable the sales and marketing of the CoreHub product to be accelerated, particularly in the US and Australia – geographies where EROAD currently has a limited footprint.

The combined organisation, with over 500 staff, will also be able to accelerate further technology development and compete head-to-head with the largest players in the industry. Assuming the sale receives the necessary regulatory approvals, Milford will receive cash and shares in EROAD as consideration for the sale of its shareholding in Coretex.

This will represent an attractive premium on the cost of our initial investment and by retaining a shareholding in the combined entity we look forward to an exciting future for the combined organisation.