Milford Investment Funds
Monthly Review November 2021

Divergence

October performance saw largely positive returns but with significant divergences. Higher risk growth funds saw some strong returns whilst lower risk funds fell in the month. This is all down to the rebound in share markets that came alongside some sharp falls in bond markets, particularly in Australia and New Zealand.

Investors started the month nervously awaiting US company 3rd quarter profit announcements. The outcomes were better than expected with aggregate profit margins largely immune to rising input costs. Large technology companies were standout performers, particularly Microsoft and Alphabet (Google's parent) whose stocks rose 17.6% and 11.3% respectively. Broadly strong profit announcements helped propel global shares up 5.5% in October.

Local Australian and New Zealand share markets were more muted, ending the month down 0.1% and 1.3% respectively. The prospect of higher interest rates is weighing on these markets but there are still opportunities for outperformance through stock selection. We had reduced exposure to the weaker iron ore space whilst bank stocks are one sector that can benefit from a rising interest rate environment.

It was bonds that saw outsize moves in October. Investors are questioning the need for low interest rate settings as global inflation surges. This has led to large moves in investor pricing of interest rate hikes over the next couple of years and bond prices have suffered accordingly. Investors currently expect NZ interest rates to rise by almost 2% over the next 12 months. We think interest hikes of this magnitude are unlikely and for the first time in several years, some bond investments are now starting to look a little more attractive.

Strong global share markets are masking what is a very complicated outlook. If central banks do indeed hike rates like markets expect (which is not a given) then this will be a significant headwind for the global economy and share markets. On the other hand, if central banks do not raise rates then the global economy could boom, leading to more bond market volatility. Milford funds have plenty of flexibility to allow us to try and navigate this environment and we continue to find attractive investment opportunities.

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Conservative Fund

Portfolio Manager: Paul Morris

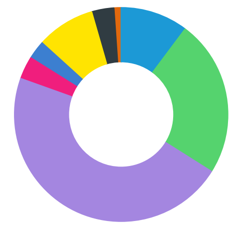
October was a challenging one for the Fund, falling 1.5% to leave the 6-month and 1-year returns at -0.5% and 2.6% respectively.

During 2021 the "normalisation" of market interest rates higher has been, and remains, a key headwind for Fund returns. Inflation is driving these moves, as it proves less transient than central banks had hoped. Some policy makers, notably the Reserve Bank of New Zealand, have reacted by beginning the removal of emergency monetary policy settings. Others may prove to be slower (e.g. the US and Australia) but that has not stopped expectations building, pushing market interest rates higher and bond prices lower.

With bonds being the Fund's predominant exposure, this caused the bulk of the Fund's October weakness, even after accounting for hedges in place to cushion the negative impact of rising rates. Rising market interest rates were also a headwind for the Fund's Australasian shares, especially income-oriented shares. The Fund did however benefit positively from strong performance across many of its global shares.

Looking ahead, waning monetary policy support is likely to see further periods of elevated volatility but has led some market interest rates to levels where it made sense to allocate more to corporate bonds. We will keep interest rate exposure lower than we have historically but note we may be getting closer to the final destination for longer dated interest rates in this cycle. For shares, company reporting suggests inflation and logistics headwinds remain navigable, even if earnings growth may moderate from recent highs. In conclusion, we believe the medium-term economic and market outlook remains constructive for Fund returns. Increased volatility should provide a fertile backdrop for us to buy bonds and shares that will beat the broader market over time.

Actual investment mix[1]



- Effective Cash# 10.24%
- New Zealand Fixed Interest 23.70%
- International Fixed Interest 46.52%
- New Zealand Equities 3.44%
- Australian Equities 2.80%
- International Equities 8.83%
- Listed Property 3.38%
- Other* 1.09%

The actual cash held by the Fund is 9.34%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

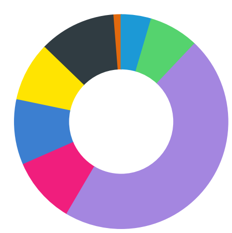
Diversified Income Fund

Portfolio Manager: Paul Morris

Inflation is dominating income assets, proving to be less transient than central banks had hoped. Some policy makers, notably the Reserve Bank of New Zealand, have reacted by beginning the removal of emergency monetary policy settings. Others may prove to be slower (e.g. the US and Australia) but that has not stopped expectations building, pushing market interest rates higher and bond prices lower. The Fund had hedges in place to cushion the negative impact of rising rates, but bonds still detracted from returns in October.

Rising market interest rates were also a headwind for Australasian shares, especially income-oriented shares. This weakness was somewhat offset by strong performance across many of the Fund's global shares. Two notable performers were US rail Norfolk Southern (+22.5%), which benefits from the US reopening, and US health insurer Anthem Inc (+16.7%) after strong results. Unfortunately these gains were insufficient to prevent a negative 0.9% Fund return in October, however over 6 and 12 months the Fund is up 2.6% and 9.4% respectively.

Looking ahead, waning monetary policy support is likely to see further periods of elevated volatility but has led some market interest rates to levels where it made sense to allocate more to corporate bonds. We will keep interest rate exposure lower than we have historically but note we may be getting closer to the final destination for longer dated interest rates in this cycle. For shares, company reporting suggests inflation and logistics headwinds remain navigable, even if earnings growth may moderate from recent highs. In conclusion therefore, we still believe the medium-term economic and market outlook remains constructive for Fund returns. Indeed, increased volatility should provide a fertile backdrop for us to buy bonds and shares that will beat the broader market over time.



- Effective Cash# 4.58%
- New Zealand Fixed Interest 7.49%
- International Fixed Interest 46.40%
- New Zealand Equities 9.96%
- Australian Equities 9.84%
- International Equities 8.93%
- Listed Property 11.55%
- Other* 1.25%

The actual cash held by the Fund is 2.50%. 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

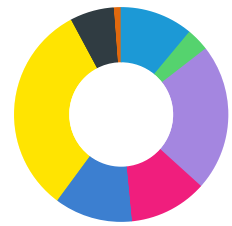
Portfolio Manager: Mark Riggall

The Fund returned 0.7% in the month with a one-year return of 16.3%. October saw some large divergences in the performance of assets into which the Fund invests.

Global share markets rebounded from their September wobble. Global company profit reports in the month indicated that businesses are navigating the inflationary pressures well and profits are largely intact. Alphabet (Google parent company) and Microsoft were standout performers for the Fund in the month, up 11.3% and 17.6% respectively. The Fund has been rotating into global shares at the expense of Australian and NZ shares recently. This paid off in October as local share markets underperformed. Bond markets were volatile in the month as investors question the need for the very low interest rate settings currently in place, resulting in sharp falls in bond prices. The Fund has reduced exposure to these assets mitigating impact on performance.

Looking ahead, there is optimism that the global economy can re-accelerate. A key question to be answered in November is how global central banks will respond to surging inflation. They are most likely to proceed cautiously, only gradually raising rates. This may enable inflation to continue to run hot, risking further falls in long-term bond prices and threatening elevated share prices. The Fund retains the flexibility to navigate this environment whilst leaning on underlying funds to continue to find attractive investments.

Actual investment mix[1]



- Effective Cash[#] 11.06%
- New Zealand Fixed Interest 3.47%
- International Fixed Interest 22.16%
- New Zealand Equities[†] 11.79%
- Australian Equities 11.63%
- International Equities 32.03%
- Listed Property 6.67%
- Other[*] 1.19%

The actual cash held by the Fund is 9.28%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

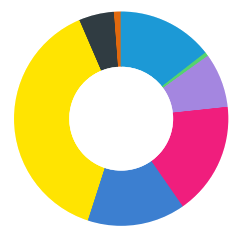
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund returned 0.8% over October with strong performance from global share markets (+5.5%) offset by subdued returns for the New Zealand (-1.3%) and Australian (-0.1%) markets. Shares in New Zealand and Australia came under pressure as markets started to forecast higher interest rates. Global shares rebounded after falls last month and on the back of a reasonable third quarter earnings season. Returns were also reduced by the rise in the NZ Dollar; up 3.9% versus the US Dollar. Whilst a large portion of our foreign exchange is hedged, the Fund retains some exposure for diversification purposes.

Key company positives during the month were predominantly global and included software companies Microsoft (+17.6%) and Intuit (+16.0%), home improvement company Lowes (+15.7%) and health insurer Anthem (+16.7%). Microsoft reported strong earnings for the third quarter with earnings up 24% as the company continues to benefit from digital transformation and the move to cloud computing. Health insurer Anthem rose after it delivered an earnings "beat" and upgraded its guidance for future earnings. Anthem is benefitting from increased spending on healthcare and market share gains. During the month the Fund participated in the IPO of global fund manager GQG Partners which has approximately $US87b under management. We believe that GQG is well managed and will continue to grow its funds under management.

The medium-term outlook for shares remains supported by the prospect of strong economic growth, strong company earnings, 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. Whilst parts of the market have relatively high valuations, we continue to find attractive company opportunities in which to invest. The strategy of the Fund is to look to manage the risks of higher inflation and interest rates and select those companies which we believe offer attractive risk adjusted returns.



- Effective Cash[#] 14.48%
- New Zealand Fixed Interest 0.60%
- International Fixed Interest 8.23%
- New Zealand Equities[‡] 17.03%
- Australian Equities 14.62%
- International Equities 38.56%
- Listed Property 5.30%
- Other[*] 1.18%

The actual cash held by the Fund is 7.24%. 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 0.12% [‡]Includes unlisted equity holdings of 0.69% [*]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

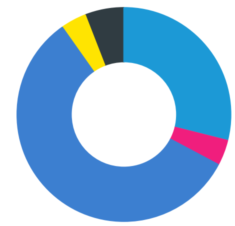
Portfolio Manager: William Curtayne & Wayne Gentle

The Fund produced a small gain in October while the ASX 200 index ended flat after a sharp decline on the final day of the month.

There was no single stand out performer over the month but a collection of solid contributors. Mining service operator Monadelphous rallied 10.3% as sentiment improved towards the outlook for resource activity. The continued boom in green energy related investments supported both lithium miner IGO and Macquarie bank. The lithium price continues to gain as electric vehicle adoption continues to accelerate, particularly in China. This supported the 8.6% gain in IGO which owns Australia's leading lithium mine. Macquarie (+8.7%) has a large renewables banking and investment operation that will benefit from increased investment and development of renewable energy sources.

To navigate the upcoming period of monetary stimulus withdrawal by central banks, the Fund is positioned with some notable characteristics. Firstly, we have a reasonable portion invested in inflation winners such as supermarkets, energy stocks and gold miners. Secondly, we are avoiding the overvalued and speculative stocks that are likely to suffer very large declines if the stimulus withdrawal becomes disorderly. Thirdly, while cash is up to 20% of the Fund, we remain mostly invested in equities as good companies should outperform cash in this inflationary environment and there are good stock picking opportunities. Finally, we have some derivative protection as a safety net if the market declines sharply. This should all position the Fund to do its job of generating a healthy return in stable and rising markets at lower risk levels than the broader equity market.

Actual investment mix[1]



- Effective Cash# 28.92%
- New Zealand Equities 3.84%
- Australian Equities 57.45%
- International Equities 3.88%
- Listed Property 5.85%
- Other* 0.06%

The actual cash held by the Fund is 19.22%. 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

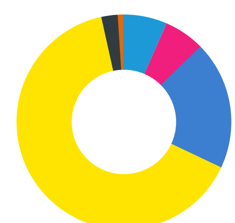
The Fund gained 2.9% in October. Global markets sprung back to life, led by US shares, that were boosted by strong quarterly earnings.

In a reversal of the previous month, the top contributors in October were US technology companies. Microsoft (+17.6%) was buoyed by strong quarterly earnings that were well ahead of analysts' expectations. Microsoft is a key beneficiary of digital transformation at enterprises and the outlook remains favourable. In recognition of this strong performance, Microsoft surpassed Apple during the month to be the world's largest listed company, now valued at US$2.5tr. Other notable outperformers included US share and derivatives exchange Intercontinental Exchange (ICE, +20.6%), best known for its ownership of the New York Stock Exchange but also commodity futures products like the Brent crude oil contract. ICE has been diversifying its business by making investments in mortgage technology and fixed income data assets, while also benefitting from the boom in cryptocurrency markets, recently selling its stake in crypto exchange Coinbase. US tech bellwether Alphabet (+11.3%), US health insurer Anthem (+16.7%) and USA broker Charles Schwab (+12.6%) also performed well in October.

The biggest detractors were Latin American e-commerce and digital payments company Mercado Libre (-11.8%) and US payments companies Mastercard (-3.5%) and PayPal (-10.6%). Despite the short-term setback, the medium-term fundamentals remain positive for payments companies, as the pandemic has significantly accelerated the shift to digital payments.

Australasian markets underperformed in October. Positive standouts included financial services company HUB24 (+9.0%), fast food restaurant company Collins Foods (+4.7%) and Xero (+7.6%). The biggest detractors locally included transport company Mainfreight (-7.2%) and Fisher & Paykel Healthcare (-2.5%).

Overall, despite short-term volatility, the backdrop remains favourable given supportive policy and the accelerated vaccine rollout. While the road ahead could be a little bumpy, we will take advantage of market weakness to add to companies that are aligned with our key investment themes.



- Effective Cash# 6.57%
- International Fixed Interest 0.04%
- New Zealand Equities 6.08%
- Australian Equities 19.36%
- International Equities 64.47%
- Listed Property 2.46%
- Other* 1.02%

The actual cash held by the Fund is 7.14%. 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

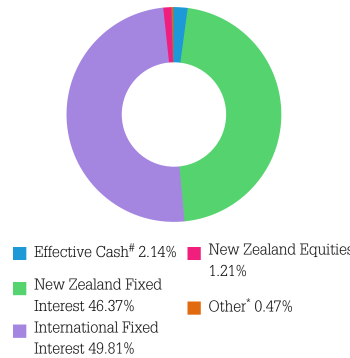
Portfolio Manager: Travis Murdoch

October was a very weak month for fixed income markets in Australasia. With inflation proving less transient than hoped, central banks on both sides of the Tasman continue to remove emergency monetary policy settings. As widely expected, the Reserve Bank of New Zealand (RBNZ) raised the Official Cash Rate (OCR) by 0.25% to 0.5%. In a less expected move, the Reserve Bank of Australia (RBA) appeared to abandon their yield curve control programme whereby they had been buying bonds maturities out to April 2024 to keep bond yields anchored at lower levels. In what was largely one-way traffic, government bond yields in both New Zealand and Australia closed the month significantly higher (prices lower), materially underperforming offshore markets.

The Fund returned -2.7% in the month, underperforming its benchmark due in part to its above neutral exposure to New Zealand interest rates as well as the underperformance of Australian corporate bonds compared to government bonds. It was a quieter month in primary markets, but the Fund remained active buying bonds in issuers including Kiwibank in New Zealand and the Bank of Queensland in Australia.

Looking forward, waning monetary policy support is likely to see further periods of volatility, but Australasian bond yields have now reached levels that already anticipate a series of central bank rate hikes. As such, the Fund maintains overall interest rate exposure that is relatively neutral to the benchmark, with a small above neutral exposure in New Zealand where we think expectations for future OCR hikes are most fully priced into bond yields.

Actual investment mix[1]



The actual cash held by the Fund is 1.55%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

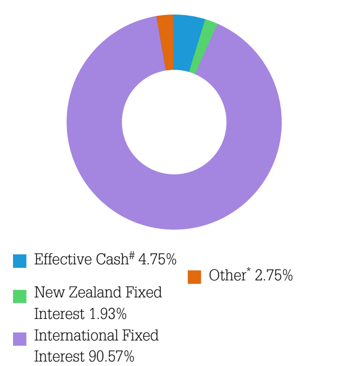
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

It was another volatile month in fixed income markets as inflation pressures are proving more persistent than central banks had hoped. While some policy makers, notably the Reserve Bank of New Zealand, have reacted decisively by beginning the removal of emergency monetary policy settings, others are taking more tentative steps (e.g. the US and Australia). However, that has not stopped expectations for interest rate hikes building, pushing bond yields almost universally higher (prices lower).

The Fund returned -0.9% in the month, which is 0.3% lower than its benchmark due in part to the outperformance of the lower quality end of the US high yield market which the Fund is underweight, and underperformance in Australian denominated corporate bonds which the Fund is overweight. It was a quieter month in primary markets, but the Fund remained active buying bonds in issuers including ASB (NZ bank), Thermo Fisher (US healthcare), and Wesfarmers (Australian retail/industrial).

Going forward, we remain constructive on corporate bonds as global economic growth underpins company balance sheets. 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) where valuations have recently become more attractive. The Fund also maintains moderate below neutral interest rate positioning to cushion against the potential impact a move higher may have on bond returns.



The actual cash held by the Fund is 2.59%. 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

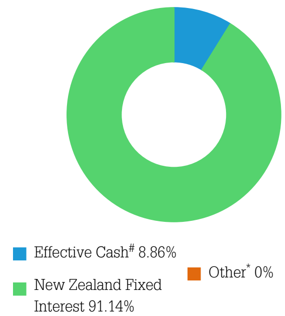
Portfolio Manager: Travis Murdoch

October's Reserve Bank of New Zealand (RBNZ) Monetary Policy Review (MPR) saw the widely anticipated Official Cash Rate (OCR) increase of 0.25% to 0.50%.

During the month, the market continued to increasingly price further OCR increases in the coming months. This was primarily driven by continued strong economic data, most notably stronger inflation. Short-dated NZ Dollar bank bills, a reflection of interbank funding levels, continued their move higher driven by the heightened market expectations of further OCR increases. Our base case remains for higher interest rates from here albeit market expectations of approaching 2 percentage points over the next year seems higher than is likely to be realised.

The portfolio management of the Fund remains focused on maintaining its low-risk strategy which is built on a diversified portfolio of cash, short-dated debt securities and term deposits, so as to protect capital.

Actual investment mix[1]



The actual cash held by the Fund is 8.86%. 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

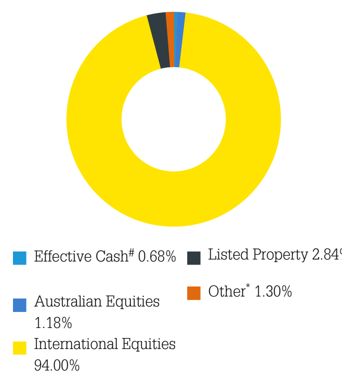
Portfolio Manager: Felix Fok

The Fund rebounded 4.3% in October. Over 2 years, the Fund is up 47.9% (net of fees) compared to the market index which is up 36.8%.

A key positive contributor was Microsoft (+17.6%). It reported strong earnings by enabling digital transformation at enterprises, a critical long-term trend. Elsewhere, US financial exchange Intercontinental Exchange (ICE, +20.6%) pushed higher. ICE has financial contracts that help investors manage risk from interest rates to energy prices. In general, technology heavyweights saw a rebound from a weak September. Alphabet (+11.3%), the parent company of Google and YouTube, is another such example, rising with earnings.

The exception to better performance from growth companies was electronic payments. Both PayPal (-10.6%) and Mastercard (-3.5%) continued to see profit-taking. The former also had poor investor feedback from a rumoured merger with photo-sharing social platform Pinterest (-12.4%). Fundamentally, COVID beneficiaries, such as online shopping and payments, will moderate growth due to high comparisons with last year. But the move to digital is structural and applies to both businesses and consumers.

As economies emerge from the pandemic and support policies are moderated, investors will reposition for a changing outlook, leading to volatility. The portfolio remains focused on our key investment themes and dominant companies, which have solid medium-term prospects.



The actual cash held by the Fund is 3.14%. 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

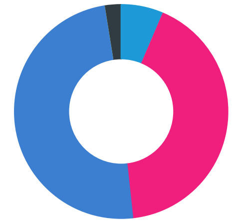
Portfolio Manager: Sam Trethewey

The Fund fell 0.2% in October moderately ahead of our NZX 50 and ASX 200 benchmark which dropped 0.7%. The past year has been a very strong period of performance for equity markets with the Fund returning 22.4% despite uncertainties with lockdowns, elevated government spending and inflationary pressures.

Performance was led by Xero (+7.6%) as the stock bounced back from weakness in September. We retain conviction in Xero's outlook and expect business creations to be strong in the current economic environment. Wealth management platform HUB24 (+9.0%) continued its strong run over the past few months. HUB24 delivered an impressive trading update and acquired self-managed superannuation fund administration software provider Class Limited. Mainfreight (-7.2%) was the largest detractor, the share price saw profit taking after several months of strong performance. We also took the opportunity to add global fund manager GQG Partners to the Fund this month via its IPO. GQG has been highly successful since being founded in 2016 by CIO and 60% shareholder Rajiv Jain. The company manages US$84bn and inflows look set to continue.

Looking ahead, inflation and associated interest rate movements are likely to create volatility for our local markets. However it is comforting that company earnings remain very robust, outside of the obvious pockets of extreme weakness in tourism and hospitality. We continue 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. Irrespective of short-term market performance, long-term returns will be influenced by our stock selection.

Actual investment mix[1]



The actual cash held by the Fund is 6.22%. 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

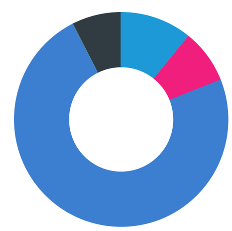
Portfolio Manager: William Curtayne & Michael Higgins

The Fund rallied 1.1% in October as the domestic market shrugged off concerns about supply chain bottlenecks and energy shortages. The Fund moderately outperformed the S&P/ASX Small Ordinaries benchmark which returned 1.0%.

Performance was once again led by Paladin Energy (27.5%) which rallied on the favourable supply and demand dynamic appearing in the uranium market. Australian Ethical Investments (+23.8%) continued its stellar run over the past few months. Australian Ethical is one of the oldest and longest standing ethical fund managers in Australia. Karoon Energy (+17.0%) delivered their best quarterly production result so far under operatorship. Exposures which detracted from performance were digital payments company EML Payments (-24.2%) which indicated progress was slow regarding regulation challenges and sports wagering platform PointsBet (-19.1%).

After a strong run in equity markets, global risks are escalating. Government and central banks are tightening purse strings in the face of inflationary pressures and a full recovery. Investors must now grapple with the possibility of lower economic growth and less stimulus. As we mentioned last month, we have taken profits in several of our core positions in favour of new ideas. This rotation also builds dry powder to take advantage of any equity market weakness in the final quarter.

Please note this Fund is closed to new investment.



The actual cash held by the Fund is 10.97%. 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[*]	-1.52%	2.61%	5.21%	5.56%	5.76%	1.2196	616.3 M
Diversified Income Fund[*]	-0.92%	9.36%	7.60%	7.90%	10.39%	1.8991	2,817.4 M
Balanced Fund	0.74%	16.26%	11.58%	10.38%	10.21%	2.9599	1,719.8 M
Active Growth Fund[#]	0.80%	22.23%	14.19%	12.62%	12.90%	5.1389	2,271.1 M
Australian Absolute Growth Fund	0.99%	24.09%	13.34%	—	10.97%	1.4585	582.5 M
Aggressive Fund	2.87%	—	—	—	—	1.0559	776.5 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund[*^]	-2.70%	-3.73%	2.77%	3.36%	4.48%	1.1554	865.9 M
Global Corporate Bond Fund[*^]	-0.91%	1.91%	4.59%	—	4.32%	1.0941	723.6 M
Cash Fund	0.04%	0.42%	—	—	0.95%	1.0255	103.7 M
Equity Funds							
Global Equity Fund[†]	4.33%	27.95%	18.91%	15.25%	11.28%	2.4687	1,533.3 M
Trans-Tasman Equity Fund[*]	-0.17%	22.42%	18.31%	16.63%	12.30%	4.0908	1,008.0 M
Dynamic Fund[#]	1.06%	31.51%	20.20%	16.18%	15.07%	3.0730	951.5 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.
#The Dynamic Fund is closed to new investment.

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)	-1.33%	9.08%	15.23%	14.52%	14.69%
S&P/ASX 200 Accumulation Index (AUD)	-0.10%	27.96%	11.92%%	10.88%	8.46%
S&P/ASX 200 Accumulation Index (NZD)	0.14%	26.39%	10.67%	10.59%	7.32%
MSCI World Index (local currency)*	5.50%	40.44%	17.73%	15.18%	11.79%
MSCI World Index (NZD)*	1.85%	29.68%	14.65%	15.45%	12.61%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-0.26%	-0.83%	4.62%	3.04%	3.29%
S&P/NZX NZ Government Bond Index	-3.32%	-10.03%	1.07%	2.02%	3.28%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	20/01/2022
Diversified Income Fund	1.1 cents (Quarterly)	18/11/2021
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	16/12/2021
Global Corporate Bond Fund	0.45 cents (Quarterly)	16/12/2021
Trans-Tasman Equity Fund	1.5 cents (Biannually)	17/03/2022

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

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund
Kiwibank 1.3% 2022 2.22%	Contact Energy 2.29%	Contact Energy 1.90%
ANZ 1.45% 2022 1.95%	Scentre Group 5.125% 2080 1.70%	Fisher & Paykel 1.49%
NZLGFA 1.5% 2026 1.72%	Sydney Airport 1.46%	Alphabet 1.36%
ANZ 2.999% 2031 1.35%	Goodman 1.46%	Microsoft 1.32%
Bank of Queensland Float 2026 0.87%	Transurban 1.45%	Santos 1.21%
Housing NZ 3.36% 2025 0.83%	Telstra 1.41%	Sydney Airport 1.05%
Scentre Group 4.75% 2080 0.80%	Charter Hall Retail 1.30%	Telstra 1.04%
NZLGFA 1.5% 2029 0.79%	Spark 1.27%	Virgin Money 1.03%
Kiwibank 0.77%	NAB 1.12%	HCA Holdings 0.97%
NZLGFA 2.25% 2028 0.72%	Meridian 1.11%	Mainfreight 0.93%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Virgin Money 3.22%	NAB 5.39%	Microsoft 2.94%
Contact Energy 3.14%	CSL 4.98%	Alphabet 2.56%
Santos 2.77%	Telstra 4.32%	Danaher 1.97%
Alphabet 2.58%	Sydney Airport 3.53%	Thermo Fisher 1.95%
Fisher & Paykel 2.49%	Woolworths 3.34%	Intercontinental Exchange 1.80%
Microsoft 2.31%	Santos 3.15%	Charles Schwab 1.77%
Thermo Fisher 1.97%	Virgin Money 2.91%	HCA Holdings 1.75%
Dr Horton 1.96%	Evolution Mining 2.74%	Analog Devices 1.74%
Summerset 1.94%	Metcash 2.16%	S&P Global 1.74%
HCA Holdings 1.87%	Charter Hall Retail 1.95%	Mastercard 1.72%

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 4.37%	Credit Agricole 6.875% Perpetual 1.72%	Westpac 32 Day CMD 2020 19.32%
Housing NZ 3.36% 2025 2.20%	Becton Dickinson Euro 0.334% 2028 1.68%	ANZ 0.71% 2021 8.21%
NZLGFA 1.5% 2029 2.08%	Danaher Corp 0.45% 2028 1.62%	ANZ 1.1% 2022 6.75%
NZLGFA 2.25% 2028 1.90%	McDonald's 3% 2024 1.56%	SBS CD 2022 6.73%
NZLGFA 3.5% 2033 1.89%	NXP BV 4.3% 2029 1.54%	Port of Tauranga CD 2021 6.27%
ANZ 2.999% 2031 1.83%	Comcast 0.25% 2029 1.52%	Auckland Airport CD 2022 5.78%
Transpower 1.735% 2025 1.81%	Scentre Group 4.75% 2080 1.47%	Spark CD 2021 4.82%
ANZ Float 2024 1.81%	Thermo Fisher 0.8% 2030 1.45%	Mercury CD 2021 4.82%
NAB Float 2026 1.73%	John Deere 1.75% 2024 1.45%	Port of Tauranga CD 2021 4.82%
Government of Australia 0.5% 2026 1.73%	Crown Euro. 3.375% 2025 1.45%	Spark CD 2022 4.81%

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
Microsoft 4.49%	Fisher & Paykel 7.06%	Collins Foods 3.86%
Alphabet 4.45%	Mainfreight 5.06%	Credit Corp 3.36%
Intercontinental Exchange 2.89%	Xero 4.67%	Contact Energy 3.05%
Mastercard 2.74%	Infratil 3.66%	Seven Group 3.05%
LVMH 2.50%	CSL 3.35%	IPH 2.93%
Paypal 2.44%	Summerset 3.26%	Carsales.Com 2.93%
Thermo Fisher 2.44%	NAB 3.18%	Lifestyle Communities 2.83%
Charles Schwab 2.40%	Contact Energy 2.95%	Virgin Money 2.72%
Danaher 2.28%	Ryman Healthcare 2.33%	Sandfire Resources 2.64%
Accenture 2.25%	Fletcher Building 2.32%	Evolution Mining 2.49%

Milford and Milford staff have approximately $31.7 million invested across our Investment Funds as at the end of October 2021.

Dr Deborah Lambie
Investment Analyst

Investment Highlight: Intuitive – the pioneer of robotic assisted minimally invasive surgery

Intuitive (ISRG US) is the global leader in robotic assisted minimally invasive surgery.

In contrast to the way we think about traditional surgical methods, where the surgeon operates directly on the patient, Intuitive's da Vinci robotic system has tools attached to robotic arms that hover over the patient and are manipulated by a surgeon sitting at a surgical console. The surgeon looks through the da Vinci vision system which delivers 3D-high-definition views, giving clear visualisation that can be magnified to 10x what the naked human eye can visualise. The console is used to control small instruments that move like a human hand but with a far greater range of motion. The basic idea is that the system extends the capabilities of the eyes and hands of surgeons.

We are now 21 years on from the launch of the first da Vinci system, and Intuitive is now on its fourth-generation robot, the da Vinci Xi (see image below). There are currently 6,525 Intuitive systems in clinical use in 67 countries around the world and there have been 9.7 million procedures performed to date, and 28,000 peer-reviewed clinical publications. Studies demonstrate that robotically assisted surgeries typically have a lower rate of complication and a shorter length of patient stay in hospital which in turn reduces overall healthcare costs.

Procedure growth has been strong, and the opportunity for future growth is large. In 2005, 30,000 procedures were performed using the da Vinci which grew to 1.2 million in 2020, implying growth of ~28% per annum. Management at Intuitive refer to a total addressable market of 20 million soft tissue surgeries per annum, of which 6 million are currently 'in line of sight', meaning there are products and approvals currently in the market. This implies that current global market penetration is only ~6%. Increasing market penetration over time is expected to drive significant growth.

Another growth driver is Intuitive's continued expansion to new use cases. Da Vinci X and Xi (multi-port systems) currently have over 70 clinical uses across multiple clinical specialities from urology to gynaecology to general surgery. This number is expected to expand, and at the same time, Intuitive's da Vinci SP (single port) system has a smaller footprint and different use cases versus Intuitive's original multi-port systems. Another example is Intuitive's "Ion", its flexible bronchoscopy platform which makes a foray into lung cancer diagnostics.

Despite the attractive market opportunity, competition is only just arriving. Medtronic's minimally invasive surgical robot "Hugo" came to market late last year and Johnson & Johnson have signalled that their "Ottava" robotic system will begin clinical trials in 2022, however this is not expected to come to market for several years after that.

The impact of competition on pricing and market share remains to be seen, but Intuitive is in a strong position. The sheer length of time that Intuitive has been in the market relative to peers is a source of competitive advantage. Intuitive has had two decades to collect clinical data and improve its systems, and over this period, thousands of surgeons around the world have been trained and become proficient in using these systems. The trust and capability that has been built up over this time has resulted in a sticky user base of surgeons.

Furthermore, in anticipation of this competition, last year Intuitive implemented their extended use instrument program. This increased the life of surgical instruments attached to each of the da Vinci's "arms" in certain procedures from 10 uses, to 12-18. After the number of uses have been exhausted, replacement instruments are ordered, which creates a recurring revenue stream for Intuitive. The extended use instrument program lowers the cost per procedure, making Intuitive's value proposition even more competitive as new players come to market.

Intuitive has delivered strong returns for shareholders over the last five years with its shares increasing at a ~35% compound annual growth rate over this period. Whilst we continue to see attractive long-term value, there could be volatility along the way.

Intuitive's high quality and strong growth prospects are to some extent reflected in the current valuation of the company (a P/E ratio of ~63x its forward earnings), which leaves it vulnerable to near term earnings disappointments or potential downward pressure on equity market valuations in a rising interest rate environment. Recent COVID Delta variant waves have resulted in near term volatility in performance as surgical procedures around the world have been disrupted. Further COVID waves remain a near term risk to Intuitive.