Milford Investment Funds
Monthly Review February 2022

New year, new regime

January was a tough month for investors. We had expected volatility, and last month delivered more than we had experienced at any time last year.

Despite headlines ranging from potential conflict in the Ukraine to the ongoing Omicron outbreak, the root cause of this market upheaval was the realisation that central banks are serious about fighting inflation. Persistently low interest rates have stoked investor enthusiasm for share markets in the last 18 months, with speculative shares particularly sought after. But rates are set to increase with the US Federal Reserve expected to raise rates as many as five times this year. Our own RBNZ is expected to raise the official cash rate at every one of their seven meetings in 2022.

Higher interest rates raise the cost of borrowing for governments, businesses and households, stifling economic growth and reducing inflation. It also reduces valuation support for high-growth but unprofitable company share prices as the present value of their future cashflows are lower. Last month saw investors panic selling many of these more speculative investments, dragging down broader markets.

Such bouts of volatility are a common feature of investing and we had been expecting this turn of events. Our funds had taken measures to try and smooth the ride, for example we held a reduced exposure to shares and tilted portfolios to shares that are less susceptible to rising interest rates. In every difficult market there are still companies that perform, and Mastercard (up 7.7%), Virgin Money (up 8.2%) and Santos (up 13.2%) were key holdings that had standout performance last month.

Importantly, economic growth remains robust and while global interest rates will rise, they are not expected to rise significantly. For this reason, we are still avoiding significant bond market exposure, although New Zealand bonds are looking more attractive as yields here have already moved higher. We still think parts of the share market are carrying frothy valuations but conversely, we continue to find good quality companies on reasonable valuation metrics. The process of tightening financial conditions is likely to deliver further volatility, this can include swings both up and down for share prices. We view these swings as opportunities for us to reposition portfolios to reflect the prevailing outlook. We expect to continue to be highly active in our funds this year.

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

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Conservative Fund

Portfolio Manager: Paul Morris

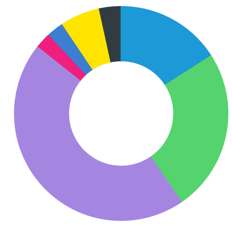
There were few safe havens outside cash in January as a turbulent month for financial markets saw both bonds and shares broadly weaker, resulting in a negative Fund return of -1.7%. The move higher in market interest rates continues to be the predominant headwind to Fund returns, as it has been for the past year, pushing bond prices lower again. Combined with some moderation in company earnings growth expectations, albeit from elevated levels, this also precipitated a repricing lower of many share markets. Although the Fund retained a lower exposure to bonds, a reduced share exposure and more cash, it was insufficient to prevent a disappointing loss.

We have held off adding back to the Fund's lower than long run neutral exposure to bonds through this weakness, as valuations may still need to adjust further to waning central bank support. Ultimately however a higher interest rate backdrop should benefit future fund returns, even if for now we think patience is appropriate.

This approach also holds for the Fund's share allocation which remains lower than its long run neutral. We had been diversifying away from companies with more elevated valuations and companies more likely to be negatively impacted by higher interest rates. This has to an extent cushioned returns. It included a lower allocation to traditional income shares. Now however, given the adjustment lower in valuations, we may selectively look to reallocate to more defensive income-oriented shares.

Looking ahead, we think the Fund is well placed to deliver moderate returns over its recommended investment timeframe. The transition to a higher level of market interest rates is well progressed. For now, we will retain a lower than long term neutral exposure to interest rates, and a higher cash balance at the expense of less corporate bonds and shares. As discussed, we will look to invest some of this cash selectively should valuations at the individual bond and share level provide attractive medium-term returns.

Actual investment mix[1]



- Effective Cash# 15.95%
- New Zealand Fixed Interest 24.56%
- International Fixed Interest 45.13%
- New Zealand Equities 2.37%
- Australian Equities 2.56%
- International Equities 5.98%
- Listed Property 3.45%
- Other* 0%

The actual cash held by the Fund is 11.10%. 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

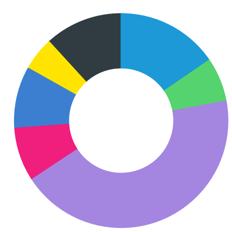
Portfolio Manager: Paul Morris

Bonds and shares were both weaker in January resulting in a negative Fund return of -2.8%. Bond prices fell on higher market interest rates, which combined with some moderation in company earnings growth expectations (from elevated levels), also precipitated a repricing lower of many share markets. The Fund retained a lower exposure to bonds, a reduced share exposure, and more cash, but it was insufficient to prevent a reversal of December's strong Fund gain.

We have held off adding back to the bond exposure through this weakness as valuations may still need to adjust further to waning central bank support. Ultimately however a higher interest rate backdrop should benefit future fund returns, even if for now we think patience is appropriate.

To a large extent this approach also holds for the Fund's shares. Thus far we have navigated the higher interest rate environment by complementing traditional income-oriented shares (which can suffer on higher market interest rates) with cyclical and reopening beneficiary shares. This helped in January with for example the Fund's energy related exposures stronger (e.g. Santos +13.2% and Cheniere +10.3%), banks benefitting from higher interest rates (e.g. Virgin Money +8.2%) and some reopening beneficiaries, such as Mastercard (+7.7%), higher. However, given the adjustment lower in valuations across many of the Fund's more traditional income shares, we are now looking for opportunities to move to less cyclical exposures.

Looking ahead, we think the Fund is well placed to deliver moderate returns over its recommended investment timeframe. Near term these may be lower and more volatile than in recent years, as markets continue the transition to a higher level of market interest rates, but the latter is well progressed. For now we will retain a lower than long term neutral exposure to interest rates, and a higher cash balance at the expense of less corporate bonds and shares. As discussed, we will look to invest some of this cash selectively should valuations at the individual bond and share level provide attractive medium-term returns.



- Effective Cash# 15.44%
- New Zealand Fixed Interest 6.63%
- International Fixed Interest 43.65%
- New Zealand Equities 8.13%
- Australian Equities 9.29%
- International Equities 5.05%
- Listed Property 11.81%
- Other* 0%

The actual cash held by the Fund is 6.87%. 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

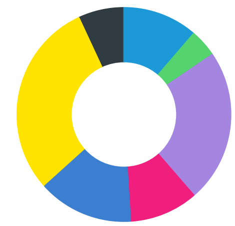
Portfolio Manager: Mark Riggall

The Fund returned -3.8% in January, bringing the one-year return to 8.3%. January was a tough month as both bonds and share markets fell sharply, a particularly toxic mix for a Balanced fund that invests in both. The Fund's reduced exposure to both bonds and shares helped soften the impact, but it is inevitable that the Fund will follow the path of markets to a certain extent.

Volatility this month was caused by an abrupt change in tone from the US central bank, who now expect to raise interest rates to fight inflation having previously dismissed this threat. Tightening financial conditions are likely to continue to drive volatility in share markets this year. On the positive side, recent company results indicate profits remain robust and there are plenty of attractively valued companies to invest in. Top performers for the Fund last month were Virgin Money, Santos and Mastercard, up 8.2%, 13.2% and 7.7% respectively. This shows that even in down markets there are stocks that can still perform.

Volatility this year will provide plenty of opportunities to reposition the Fund and we will be actively changing positions to take advantage of changing prices and outlooks. This should help deliver stronger long run returns even if the short-term ride is bumpy.

Actual investment mix[1]



- Effective Cash# 11.31%
- New Zealand Fixed Interest 4.19%
- International Fixed Interest 23.13%
- New Zealand Equities† 10.39%
- Australian Equities 14.29%
- International Equities 29.76%
- Listed Property 6.93%
- Other* 0%

The actual cash held by the Fund is 10.70%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

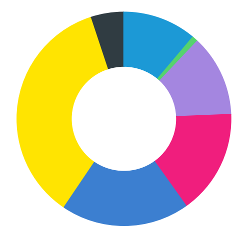
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund fell by 3.4% in January reversing most of December's gains. The Fund was negatively impacted by share markets, with the New Zealand (-8.8%), Australian (-6.4%) and global (-4.9%) share market indices all falling. Share markets fell due to concerns over the prospect of more rapid increases in interest rates as central banks look to control inflation. Higher interest rates act to slow growth and can reduce company valuations. Shares in higher valuation growth companies were particularly hard hit. The Fund out-performed market returns due to strong company selection, more defensive positioning and strategies to cushion interest rate rises.

Key company positives during the month included UK Banks, Virgin Money (+8.2%), Natwest Group (+7.4%) and Barclays (+5.5%). Banks are a beneficiary of rising interest rates as they increase lending rates faster than deposit rates. Oil and Gas companies Santos (+13.2%) and EOG Resources (+26.4%) performed well due to rising oil prices. The Fund reduced holdings in shares towards the start of the month following strong gains and increased talk from central bank officials about the need to control inflation. As markets fell we gradually increased holdings in those shares we believe had been oversold.

The outlook for shares remains supported by the prospect of good 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 full valuations, we continue to find companies which we believe are attractively valued. The strategy of the Fund is to remain active and construct a portfolio of investments which provide an attractive medium-term risk adjusted return.



- Effective Cash# 11.14%
- New Zealand Fixed Interest 0.89%
- International Fixed Interest 12.32%
- New Zealand Equities‡ 15.81%
- Australian Equities 19.28%
- International Equities 35.47%
- Listed Property 5.09%
- Other* 0%

The actual cash held by the Fund is 7.30%. 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 0.11% ‡Includes unlisted equity holdings of 0.63% *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

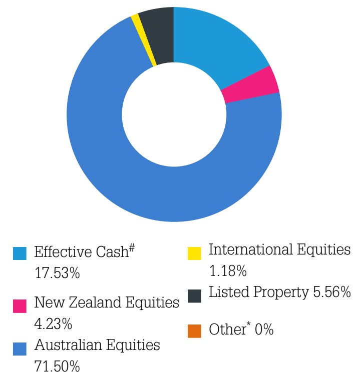
Portfolio Manager: William Curtayne & Wayne Gentle

The year has certainly got off to a rocky start with share markets falling sharply in January as investors prepare for interest rates to rise in 2022 and less accommodative financial conditions. As we have been highlighting in recent updates, we had already taken a conservative stance in the Fund in anticipation of this event. Despite our efforts, the Fund still declined 4.1% but this would have been much worse had we not taken defensive action late last year. The ASX 200 index fell 6.4% for the month and was at one point down over 9% before rallying back at the end of the month.

The key positioning we had in the Fund was avoiding expensive companies (many in the technology space) or speculative companies without any earnings as this is where the largest falls occurred. Our positions in Energy companies and select miners also helped as they made positive returns over the month. Santos was up 13.2%, Karoon Energy 13.7% and BHP 11.7%. Virgin Money also rallied 8.2% as UK Banks are expected to benefit from higher interest rates. In addition, some short derivative positions returned a good profit as the market fell.

We did take the opportunity to pick up some companies and cover most of our short derivatives as the market fell sharply. In particular we purchased travel and leisure companies that we expect to do well post Omnicron. We will look to take profits into market strength and add back derivative cover in line with our strategy to navigate this market environment for our investors. This type of market is favourable to Milford's investment approach and will create opportunities to take advantage of market volatility.

Actual investment mix[1]



The actual cash held by the Fund is 16.69%. 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

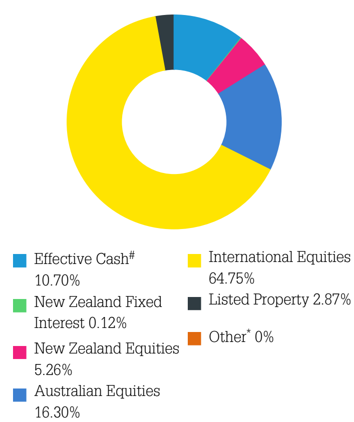
The Fund fell 5.5% in January, driven by concerns that monetary policy was about to be tightened. These concerns, combined with impacts of the global Omicron wave saw our high growth companies underperform in January. Our holding in robotic surgery market leader Intuitive Surgical (-20.9%) and long-term holdings in healthcare, Thermo Fisher Scientific (-12.9%) and Danaher (-13.1%) had a rough month but despite the short-term pain we maintain a positive long-term view.

There were also a number of bright spots in the market to call out. A key positive contributor in January was US payments network Mastercard (+7.7%) which significantly outperformed the US share market. There is significant pent-up demand for travel and in recent earnings results Mastercard was confident in a return to pre pandemic levels of profitable cross border travel, by the end of 2022. Visa (+4.4%) made similar comments in their quarterly earnings and both payments networks look poised to outperform in 2022. With increased conviction, we are adding to our holdings in Visa & Mastercard.

US agriculture machinery giant Deere (+9.8%) also outperformed, benefitting from the rotation out of growth stocks into cheaper parts of the market. We are really excited about the increased adoption of technology in agriculture to increase efficiency and reduce costs. Deere is the market leader in precision agriculture and during the month unveiled the industry's first fully autonomous tractor.

Australasian markets made a weak start to 2022, particularly the New Zealand market. Key detractors for the month were Mainfreight (-11.1%) and Fisher & Paykel Healthcare (-15.3%). Bucking the trend in January were commodity companies with BHP (+11.7%) outperforming.

Looking ahead, we expect elevated volatility in share markets given the uncertainty in the inflation outlook. We have increased our cash levels to allow us to take advantage of the volatility, through adding to our favoured names at cheaper prices.



The actual cash held by the Fund is 10.87%. 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

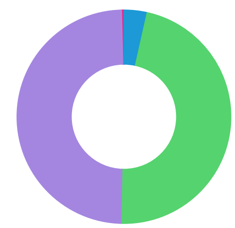
Portfolio Manager: Travis Murdoch

Fixed income markets had a weak start to the year. Government bond yields moved materially higher (prices lower) as markets became increasingly concerned about persistent inflation pressures and the likelihood of aggressive monetary policy actions by central banks to combat it. Most notably, global markets were roiled as the Federal Reserve signalled an increased willingness to raise US interest rates and shrink its balance sheet at a faster pace than the market previously expected. Whilst the action was more focused offshore, Australasian markets were not immune with government bond yields on both sides of the Tasman moving materially higher. On a more constructive note, Australasian corporate bonds performed largely in line with government bonds, notably outperforming offshore markets.

The Fund returned -0.8% in the month, which was 0.2% lower than its benchmark in part due to the drag from a small number of offshore corporate bond holdings which underperformed. Primary markets reopened in Australia with several local and offshore banks coming to market to issue bonds. The Fund bought new issues from National Australia Bank, Commonwealth Bank, Westpac and Bank of Nova Scotia (Canadian bank) and sold its holding in Waypoint REIT bonds.

Looking forward, volatility in fixed income markets is likely to remain elevated as persistently high inflation pushes central banks to react more aggressively. Nonetheless, solid economic growth continues to underpin company balance sheets and the Fund remains constructive on Australasian corporate bonds. The Fund maintains small above neutral exposure to New Zealand interest rates where we continue to believe expectations for future interest rate rises are most fully priced into bond yields and below neutral interest rate exposure to offshore markets where the risk of further moves higher in interest rates still appears less reflected in prices.

Actual investment mix[1]



- Effective Cash# 3.51%
- New Zealand Equities 0.36%
- New Zealand Fixed Interest 46.77%
- Other* 0%
- International Fixed Interest 49.36%

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).

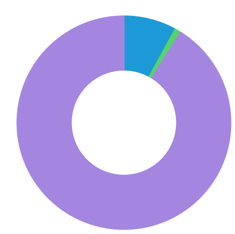
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

Fixed income markets had a weak start to the year. Government bond yields moved materially higher (prices lower) as markets became increasingly concerned about persistent inflation pressures and the likelihood of aggressive actions by central banks to combat it. Most notably, the Federal Reserve signalled a willingness to raise US interest rates at a faster pace than the market expected and confirmed that they were already having discussions about reducing their balance sheet by letting their bond holdings mature without reinvestment (so-called 'Quantitative Tightening'). Corporate bonds had a solid start to the month but eventually weakened with broader markets and underperformed government bonds.

The Fund returned -1.7% in the month, which was 0.4% lower than its benchmark due in part to the Fund's overweight positions in corporate hybrids and subordinated financials which underperformed. The Fund was active in the primary market where it bought bonds from several bank issuers including UBS, Goldman Sachs, Morgan Stanley and Bank of New Zealand. Against this, the Fund sold bonds in several corporate issuers including longer dated bonds in Thermo Fisher and Kerry Group.

Looking forward, volatility is likely to remain elevated as persistently high inflation pushes central banks to act more aggressively in tightening monetary policy. This backdrop creates headwinds for corporate bonds, but solid economic growth continues to underpin company balance sheets. The Fund maintains a below neutral allocation to the weakest parts of the high yield market and below neutral interest rate positioning to cushion against the potential impact a move higher in interest rates may have on bond returns.



- Effective Cash# 7.95%
- Other* 0%
- New Zealand Fixed Interest 0.95%
- International Fixed Interest 91.10%

The actual cash held by the Fund is 5.68%. 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.

Cash Fund

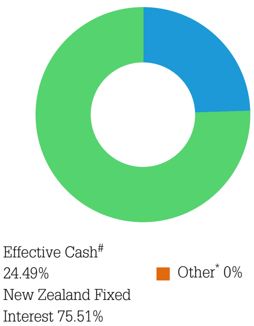
Portfolio Manager: Travis Murdoch & Katlyn Parker

In January the Fund generated a return of 0.08%, 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, continued their move higher during the month. This continues to benefit the Fund by increasing the interest rates into which it can progressively reinvest maturing holdings. The market is focused on the February RBNZ meeting which is very much live for another 0.25 percentage points increase in the OCR. Our base case remains for higher interest rates from here albeit market expectations of an OCR above 2.5 percentage points over the next 12 months seems higher than that 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 24.49%. 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 fell 6.4% in January. Over three years, the Fund is up a cumulative 67.8% (net of fees) compared to the market index which is up 61.5%.

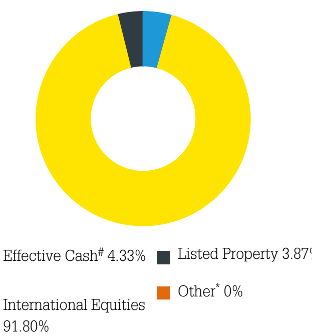
High-quality businesses held by the Fund underperformed during the month as expectations of faster interest rate hikes in the US pressured shares that trade at premium valuations. We expected volatility as inflation and growth rebound and loose monetary policies are unwound. The Fund continues to focus on compounding with a portfolio of 'Future Leaders', which have strong profit potential over the medium term.

Positive contributors to the Fund included the US shale energy company EOG Resources (+26.4%). In November, the Fund re-entered this sector-leading expert driller as a hedge against higher energy prices. While higher oil prices are beneficial, EOG has also demonstrated consistent cost reduction since the last oil cycle in 2015.

Elsewhere, payments network Mastercard (+7.7%) bucked the general weakness. Significant pent-up demand for leisure and business travel should boost growth in 2022. Company results in January also confirmed this outlook.

Detractors included animal drugs company Zoetis (-18.0%). The shares of Zoetis have had a tremendous run since listing in 2013. A combination of fears over 'peak pet adoption' and rising interest rates meant the Fund sacrificed this holding to fund other purchases.

International commerce software company Shopify (-30.0%) is a quintessential growth holding that understandably came under pressure. As economies reopen, investors are also locking in gains in online shopping beneficiaries. The Fund has a small position here and will look to be opportunistic.



The actual cash held by the Fund is 4.40%. 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

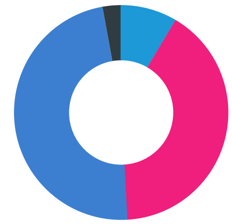
Portfolio Manager: Sam Trethewey

It was a tough month for local equity markets and our Fund. The Fund finished down 7.8% with the NZX 50 index falling 8.8% and the ASX 200 index down 6.3%. The pullback was primarily driven by a repricing of stocks as investors realised that central banks across the globe are serious about fighting inflation (having previously downplayed the threat) and are likely to tighten monetary policy. This shift had already occurred at the RBNZ but in particular the US Federal Reserve changed its stance in early January.

Positive performance was led by energy exposure Santos (+13.2%) and challenger bank Virgin UK (+8.2%) while a number of our strongest performers in recent years, like Fisher & Paykel Healthcare (-15.3%) and Mainfreight (-11.1%), were a source of weakness. For Fisher & Paykel Healthcare and Mainfreight, we believe both are performing very well in the current environment and expect the upcoming financial results to reflect this. The share price movements represented a reset of valuation and we believe each will deliver attractive returns over the medium term. Towards the end of the month we added to holdings where we saw strong valuation support. This included adding to Auckland Airport (-6.8%) and Charter Hall (-18.6%).

Looking ahead, we expect tightening monetary policy to continue to create volatility in equity markets. The key offset to tightening monetary policy is company earnings. Economic growth, particularly in Australia, is expected to be strong and support company earnings. In this environment, we expect share prices will overreact on both the upside and downside creating good opportunities for active management. Our strategy is to remain active and 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 valuation, 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]



Effective Cash# 8.56%
Listed Property 2.89%
New Zealand Equities 40.59%
Other* 0%
Australian Equities 47.96%

The actual cash held by the Fund is 8.73%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

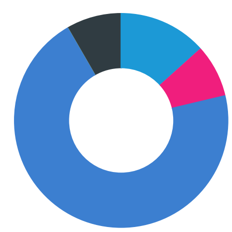
Dynamic Fund

Portfolio Manager: William Curtayne & Michael Higgins

January saw a sharp market sell-off as investors digested the implications of a higher interest rate environment. Our cautious positioning into the new year provided minor resistance against the broader sell-off which was most acute in high priced technology stocks. The Fund was down 8.1%, compared with the 9% fall experienced by the S&P/ASX Small Ordinaries Index.

Santos (+13.2%) and Karoon Energy (+13.7%) were two portfolio companies which performed strongly over the month reflecting a surge in oil demand. Another key contributor was Virgin Money UK (+6.9%). Laggards included industrials Lifestyle Communities (-19.3%) and Collins Foods (-12.8%). Lifestyle is the owner and operator of affordable, independent living communities catering to the elderly. Collins is the owner of KFC restaurants in Australia and Netherlands. We continue to hold both companies.

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 more importantly expansive. This has led to higher inflation rates which will now result in tighter monetary policies. Our style neutral approach has allowed us to build cash and tilt the portfolio towards defensive and recovery stocks where we can identify relative value.



Effective Cash# 13.36%
Listed Property 8.37%
New Zealand Equities 7.94%
Other* 0%
Australian Equities 70.33%

The actual cash held by the Fund is 13.73%. 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*	-1.69%	-0.06%	4.74%	5.19%	5.46%	1.2093	602.2 M
Diversified Income Fund*	-2.79%	3.09%	6.49%	7.03%	10.06%	1.8682	2,872.4 M
Balanced Fund	-3.81%	8.33%	10.81%	9.53%	9.83%	2.9107	1,743.8 M
Active Growth Fund	-3.38%	14.16%	13.88%	12.07%	12.58%	5.0828	2,407.7 M
Australian Absolute Growth Fund	-4.10%	11.90%	12.49%	—	9.55%	1.4235	606.6 M
Aggressive Fund	-5.49%	—	—	—	—	1.0278	860.7 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	-0.80%	-3.25%	2.58%	3.46%	4.39%	1.1553	1,021.3 M
Global Corporate Bond Fund*^	-1.73%	-1.88%	3.53%	3.73%	3.73%	1.0708	670.5 M
Cash Fund	0.08%	0.55%	—	—	0.94%	1.0278	146.9 M
Equity Funds							
Global Equity Fund†	-6.43%	19.25%	18.83%	14.14%	10.68%	2.4169	1,325.9 M
Trans-Tasman Equity Fund*	-7.76%	2.93%	14.71%	14.30%	11.47%	3.7865	913.3 M
Dynamic Fund#	-8.08%	10.58%	17.83%	14.84%	13.65%	2.8705	882.3 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.
#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)	-8.78%	-8.84%	10.58%	12.02%	12.06%
S&P/ASX 200 Accumulation Index (AUD)	-6.35%	9.44%	9.76%	8.51%	7.48%
S&P/ASX 200 Accumulation Index (NZD)	-5.40%	10.27%	10.51%	9.28%	7.47%
MSCI World Index (local currency)*	-4.93%	18.96%	16.73%	13.07%	11.14%
MSCI World Index (NZD)*	-1.27%	27.88%	18.70%	15.77%	12.55%
S&P/NZX 90-Day Bank Bill Rate	0.08%	0.45%	0.87%	1.32%	1.77%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-1.57%	-2.42%	3.14%	3.14%	2.62%
S&P/NZX NZ Government Bond Index	-1.05%	-6.70%	0.67%	2.51%	2.75%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	20/04/2022
Diversified Income Fund	1.1 cents (Quarterly)	17/02/2022
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	17/03/2022
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/03/2022
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
NZ Govt. 0.5% 2026 2.89%	Contact Energy 2.07%	Contact Energy 1.95%
Kiwibank 1.3% 2022 2.26%	Spark 1.51%	Alphabet 1.27%
NZGBI 2% 2025 2.04%	Goodman 1.36%	Microsoft 1.21%
ANZ 1.45% 2022 2.00%	Telstra 1.26%	Santos 1.10%
NZLGFA 1.5% 2026 1.40%	Transurban 1.22%	HCA Holdings 1.08%
ANZ 2.999% 2031 1.00%	Charter Hall Retail 1.20%	Fisher & Paykel 1.06%
Government of Australia 0.5% 2026 0.93%	NAB 1.12%	Spark 0.99%
Scentre Group 4.75% 2080 0.80%	Getlink 1.09%	Telstra 0.97%
Housing NZ 3.36% 2025 0.69%	Scentre Group 5.125% 2080 1.02%	EBOS Group 0.97%
NZLGFA 1.5% 2029 0.67%	Mirvac 1.02%	NAB 0.96%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Contact Energy 3.57%	NAB 7.37%	Alphabet 3.04%
Virgin Money 3.03%	CSL 6.48%	Microsoft 3.01%
Alphabet 2.74%	Telstra 4.85%	Mastercard 2.19%
Santos 2.57%	BHP 4.49%	Aon 1.90%
CRH 1.98%	Sydney Airport 4.39%	Intercontinental Exchange 1.81%
Dr Horton 1.96%	Santos 4.17%	Danaher 1.80%
Microsoft 1.93%	Metcash 3.71%	Meta Platforms 1.80%
HCA Holdings 1.89%	Woolworths 3.62%	Analog Devices 1.74%
Fisher & Paykel 1.73%	Coles 3.03%	Wyndham Hotels 1.74%
EBOS Group 1.72%	Virgin Money 2.67%	HCA Holdings 1.69%

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
NZ Govt. 0.5% 2026 7.68%	Credit Agricole 6.875% Perpetual 2.00%	Westpac 45 Day WND 15.73%
NZLGFA 1.5% 2026 3.72%	Becton Dickinson Euro 0.334% 2028 1.89%	Auckland Airport CD 2022 6.11%
Government of Australia 0.5% 2026 2.48%	Danaher Corp 0.45% 2028 1.82%	ANZ 1.1% 2022 5.80%
Housing NZ 3.36% 2025 1.84%	BNZ 2.285% 2027 1.81%	Contact CD 2022 4.75%
NZLGFA 1.5% 2029 1.77%	NXP BV 4.3% 2029 1.74%	SBS CD 2022 4.75%
Vector 3.69% 2027 1.76%	McDonald's 3% 2024 1.73%	Fonterra CD 2022 3.40%
NZLGFA 3.5% 2033 1.61%	John Deere 0.70% 2026 1.63%	Fonterra CD 2022 3.40%
NZLGFA 2.25% 2028 1.60%	Crown Euro. 3.375% 2025 1.61%	Spark CD 2022 3.40%
ANZ Float 2024 1.56%	John Deere 1.75% 2024 1.61%	Genesis CD 2022 3.33%
Transpower 1.735% 2025 1.54%	Morgan Stanley 2.475% 2028 1.59%	Port of Tauranga CD 2022 3.06%

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 4.67%	Fisher & Paykel 6.19%	Credit Corp 3.80%
Alphabet 4.42%	Mainfreight 5.20%	Collins Foods 3.78%
Mastercard 3.49%	CSL 4.36%	Metcash 3.57%
Apple 3.37%	BHP 4.24%	Contact Energy 3.50%
Intercontinental Exchange 2.92%	Infratil 3.67%	Seven Group 3.39%
LVMH 2.80%	Xero 3.62%	IPH 3.30%
Accenture 2.42%	CBA 3.62%	Sandfire Resources 2.84%
EOG Resources 2.37%	NAB 3.58%	EBOS Group 2.79%
Costco 2.37%	EBOS Group 3.20%	Carsales.Com 2.69%
Tencent 2.36%	Contact Energy 3.16%	Virgin Money 2.67%

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 $33.4 million invested across our Investment Funds as at the end of January 2022.

Alexander Whight
Portfolio Manager

Investment Highlight: AMETEK

A high quality industrial company you may never have heard of

AMETEK is a US listed, differentiated global industrial conglomerate. A first-rate management team employs a decentralised operating model that has delivered standout growth and returns. It is a collection of giants-in-niches, operating businesses with leadership positions in markets where it can leverage superior scale into technology investment and product differentiation that lends further support to its outsized market share (and pricing power).

Its engineered products are typically small ticket items with high criticality; things like electronic instrumentation for harsh environments, motion control equipment, specialty metals (e.g. for medical implants) and interconnects, among many others. The pricing power supports greater than 20% operating profit margins and strong results in both deflationary and inflationary environments.

Broad customer base

Customers are found all over. From aerospace to medical technology, power generation to general industrial manufacturing. Demand is driven by customer capital expenditure, inherently cyclical but customer diversity provides a degree of earnings resilience over a business cycle, and its acquisition model helps AMETEK chart its own course. Sales have grown circa 9% p.a. since 2010, and of this circa 6% p.a. stems from acquisitions. Margin improvement has translated that 9% sales growth into circa 12% earnings-per-share (EPS) growth.

Growth through acquisition

AMETEK has acquired 100 companies since the turn of the century. For years, the approach was to buy under-managed giants-in-niches, companies that had the market position, but not the management excellence to generate the profits that leadership position should underwrite. Following acquisition, AMETEK deploys its continuous improvement tools to improve growth, profit margins and cash generation, generating a healthy return on investment. Under the current CEO, David Zapico, the acquisition strategy has placed a greater emphasis on targets with higher underlying growth, but the disciplined deal assessment process and post-acquisition playbook remains the same. The acquisition pipeline remains long, and AMETEK's cash generation and strong balance sheet positions it well to capitalise on future opportunities.

A core industrial holding

We see merit in AMETEK as a core industrial holding (subject to the stock's valuation of course), despite the cyclical nature of demand which can lead to volatile stock performance over a business cycle. This is underpinned by AMETEK's demonstrated ability to deliver strong profits and cash flows in good times and bad, together with its disciplined approach to acquisitions that add juice to its growth prospects. AMETEK has delivered superior returns historically, with total shareholder returns of 380% in the past ten years, well ahead of the 220% achieved by the MSCI World Index.

AMETEK has a broad group of businesses from aerospace to medical technology, power generation to general industrial manufacturing.