Milford Investment Funds
Monthly Review May 2022

A perfect storm

It's been a brutal start to 2022 for investors. Global shares are down nearly 14% at the end of April, marginally worse than they fared over the same period in 2020 when the Covid pandemic first emerged. Meanwhile, global bonds have fallen over 10% in their worst start to a year for decades. Our funds, that invest primarily in these assets, have delivered negative returns year to date as we have been buffeted by the headwinds. It's not pleasant to see savings moving backwards, but the backdrop has provided plenty of opportunity to actively manage our funds to avoid some of the worst losses and deliver better outcomes than those headline asset returns suggest.

The sharp falls in share markets in April meant there were few places to hide. Large holdings of cash have helped cushion funds from losses. Large exposure to Australian shares has also helped, the ASX 200 was down less than a percent in April, compared to global shares that fell 6.9%. Larger weights of banks and resource companies in the Australian market have fared better than the high growth companies that populate global indices.

Stock positioning has helped too across all regions. In Australia for example we have had increased exposure to supermarkets (Woolworths was up 3.4%) and energy companies (Santos was up 3.4%). NZ shares continue to fall, but our investments in Spark paid off as the company's shares rallied 7.4% last month. On the global side, Italian infrastructure company Atlantia benefitted from takeover talks, sending the stock up 20.8%. Recent addition Shell Energy also fared well, up 3.1%.

Looking ahead, the outlook remains highly uncertain. High inflation and tighter monetary policy are significant headwinds for growth and company profits. Uncertainty over the outlook for growth means we should continue to experience higher volatility in markets over the rest of this year. For the longer term, prospects are improving. The valuations of shares are now generally more moderate, having fallen from some expensive levels. The fall in bond prices mean that yields are looking more attractive too, particularly in New Zealand. We are retaining a broadly defensive position across our funds, whilst continuing to find attractively valued companies to invest in.

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Conservative Fund

Portfolio Manager: Paul Morris

Bonds and shares broadly remain under pressure. Market interest rates continued to rise as central banks signal significant policy tightening will be required to tame inflation. This extended one of the worst routs in history for bond markets, the Fund's predominant exposure. Shares were also under pressure as valuations adjust to higher interest rates, risks to profit margins and the growing tail risk that policy makers could cause a recession.

Unfortunately, and irrespective of cautious positioning (less bonds and shares), the Fund still posted a negative return of 1.1% in the month. There were some bright spots however with defensive sectors such as infrastructure and utilities outperforming. This included Atlantia (European roads and airport operator) which was up 20.8% post a takeover offer, reiterating the attractive long-term investment properties of these types of assets.

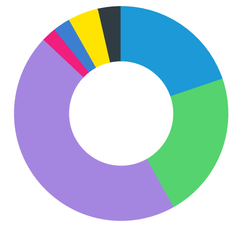
We have recently outlined a view that market interest rates are approaching long-run fair value. Thus far, we have been very selective in adding back to bonds, mindful risks remain skewed for further moves higher in interest rates. Nevertheless, we added to shorter-dated NZ Dollar bonds (where we think market expectations for rate hikes are too high), including via a new Precinct Property 6yr Green Bond.

We are still wary share markets have not fully adjusted to the headwind of higher market interest rates and higher economic uncertainty, including higher inflation. We have therefore retained share exposure lower than in recent quarters.

Looking ahead, near-term Fund returns may remain volatile but given market interest rates are now closer to fair value, over the medium term the Fund should be better placed to deliver moderate returns in line with its objective.

Finally, the lead portfolio manager of the Fund will now transfer to Mark Riggall, previously co-manager, with Paul Morris remaining as co-manager.

Actual investment mix[1]



- Effective Cash# 19.82%
- New Zealand Fixed Interest 22.14%
- International Fixed Interest 45.01%
- New Zealand Equities 2.22%
- Australian Equities 2.60%
- International Equities 4.61%
- Listed Property 3.60%
- Other* 0%

The actual cash held by the Fund is 11.32%. 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

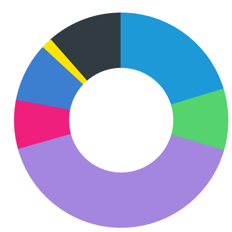
Bond and share markets remain under pressure. Bonds continue to adjust to higher market interest rates as central banks signal significant policy tightening will be required to tame inflation. Shares are also adjusting to this policy shift, and to the risk profit growth may decelerate as cost inflation persists and growth slows. The Fund went into the month positioned wary of these risks which helped in navigating heightened volatility to deliver a positive return of 0.3% in the month.

Specifically, the Fund's resilience to these headwinds was helped by a significantly lower allocation to shares and bonds than its long-run neutral. Interest rate exposure has also been limited. The Fund's shares have continued to be tilted away from lower growth income shares (i.e. shares where return is expected to be predominately from dividends), with more exposure to shares that benefit from higher inflation and interest rates. The focus remains however on companies with defensive earnings. A good example of this is global infrastructure which has become a larger exposure for the Fund over the past year. Within this sector April was another notable month for the European airport and road operator Atlantia (+20.8%) as it benefitted from a takeover offer.

While we view prevailing higher market interest rates as closer to long-run fair value, we remain wary interest rate risks remain skewed for further moves higher if inflation remains more persistent. Thus we continue to be very selective in buying bonds, careful of increasing exposure to market interest rates in all but the cheapest markets.

We are still wary many share markets have not fully adjusted to the headwind of higher market interest rates and higher economic uncertainty, including higher inflation. We have therefore retained share exposure lower than in recent quarters. We will opportunistically add to shares where valuations are attractive, and reduce holdings in shares which have outperformed the broader market and where valuations are stretched. Until we get more confidence in the outlook we will limit broad share market exposure below long-run neutral.

Looking ahead, near term Fund returns may remain somewhat volatile but medium term the Fund is well placed to deliver moderate returns in line with its objective, underpinned by higher and closer to fair value market interest rates.



- Effective Cash# 20.33%
- New Zealand Fixed Interest 9.23%
- International Fixed Interest 41.04%
- New Zealand Equities 7.36%
- Australian Equities 8.86%
- International Equities 1.66%
- Listed Property 11.52%
- Other* 0%

The actual cash held by the Fund is 5.45%. 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 April with a one-year return of 2.4%. It's been a brutal start to the year, global shares are down nearly 14% and bonds are down over 10%. For the Balanced Fund that typically invests in 60% shares and 40% bonds there have been few places to hide. The year-to-date Fund losses of 4.5% are disappointing in the sense that it's tough to experience negative returns. But given those asset moves, the Fund is weathering the storm reasonably well.

To avoid losses the Fund has held excess levels of cash this year, on top of derivative positions in place to protect against falls in the price of both shares and bonds. Stock selection has helped too, with a significant shift away from higher risk growth stocks and into more defensive companies and sectors such as healthcare and energy. Stock selection shined in April too with key position Atlantia up 20.8% on takeover talks and Spark in NZ up 7.4%. This is continued evidence that despite the market headwinds, there remains plenty of opportunities for us to invest and profit from well selected company shares.

Looking ahead, it is reasonable to expect more volatility. But the Fund is slowly adding back to NZ bonds as yields on offer are looking more attractive. Share positions will continue to fluctuate around a defensive position but we are confident our active approach can continue to deliver stronger returns in this environment.

Actual investment mix[1]

- Effective Cash[#] 20.04%
- New Zealand Fixed Interest 6.26%
- International Fixed Interest 23.77%
- New Zealand Equities[†] 8.90%
- Australian Equities 8.96%
- International Equities 25.01%
- Listed Property 7.06%
- Other[*] 0%

The actual cash held by the Fund is 9.73%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

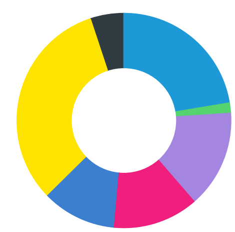
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund fell 1.8% in April, impacted by share market falls in Australia (-0.8%), New Zealand (-1.9%) and global (-6.9%). Share markets continue to be affected by uncertainty due to the war in Ukraine, high inflation, rising interest rates and the economic growth outlook. Rising inflation pressures and slower growth in response to higher interest rates may put pressure on future company profits. Higher interest rates also created a short-term headwind for fixed income markets with global (-2.0%) and Australian (-1.4%) fixed income indices we follow falling during April. The Fund out-performed market returns due to having more defensive strategies in place including higher cash holdings and avoiding companies with stretched valuations.

In terms of share investments there were relatively few places to hide during the month as investors looked to reduce risk given market uncertainty. Key positive holdings during the month were some of our more defensive company holdings including NZ telecommunications company Spark (+7.4%) and Australian property company Charter Hall Retail (+6.2%). Energy companies Santos (+3.4%) and Shell (+3.1%) benefitted from high oil prices. During the month the Fund continued to add to our holding in Shell, reflecting its strong cash generation even at lower oil and gas prices.

The outlook for shares remains uncertain. In the short term, growth remains robust, short-term interest rates low, and liquidity remains high. However, medium term there are headwinds with rising inflation hurting consumer income and company profit margins, and rising interest rates likely to slow growth. Company valuations have improved following market falls however in many cases remain above average. However, we believe that there are many companies which are attractively valued relative to their growth prospects. Across regions, New Zealand is our least preferred as interest rates have risen faster and are likely to impact growth sooner. Given the uncertain environment, the Fund remains selective in terms of share investment and is focused on those we believe have reasonable valuations and provide attractive returns relative to risk. The Fund also holds a higher level of cash.



- Effective Cash[#] 22.38%
- New Zealand Fixed Interest 1.54%
- International Fixed Interest 14.71%
- New Zealand Equities[‡] 12.79%
- Australian Equities 11.21%
- International Equities 32.27%
- Listed Property 5.10%
- Other[*] 0%

The actual cash held by the Fund is 11.65%. 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 0.10% [‡] Includes unlisted equity holdings of 0.55% [*] Other includes currency derivatives used to manage foreign exchange risk. [1] The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Australian Absolute Growth Fund

Portfolio Manager: William Curtayne & Wayne Gentle

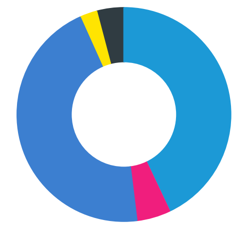
April saw early strength in Australian equity markets before commodity volatility led to a sharp sell-off later in the month. The Fund ended up with a return of 1.3% compared to the ASX 200 return of -0.9%. The Fund continues to exhibit lower volatility returns as we navigate an uncertain period for equities.

Our top performers were supermarkets with Metcash, Coles and Woolworths up 5.5%, 4.4% and 3.4% respectively. Not only did they benefit from investors seeking safe haven companies to own during this uncertainty, but the market is beginning to see inflation appear on supermarket shelves which we expect to be positive for their earnings.

Energy companies and miners were strong for most of the month which we used as a good opportunity to take profits on positions such as Santos, IGO and Oz Minerals. China continues to navigate a difficult environment where Covid lockdowns are pressuring economic growth and policy makers have been reluctant to stimulate the economy sufficiently given debt and currency concerns. Recent policy announcements from China show more genuine intent to stimulate the economy which is encouraging.

Australia remains better placed as an economy and share market than most of the developed world, although large investors' allocations towards Australia in recent months create downside tail risk if the outlook for Australia deteriorates. We are positioning in companies with earnings strength (commodities and supermarkets) or defensive characteristics (eg. CSL) while using market sell-offs to add preferred investments and rallies to take profits and manage risk. As monetary policy tightening runs its course and extremely high allocations to equities by investors normalise, we will be able to take a more bullish stance within the Fund.

Actual investment mix[1]



- Effective Cash[#] 42.96%
- New Zealand Equities 5.10%
- Australian Equities 45.22%
- International Equities 2.61%
- Listed Property 4.11%
- Other[*] 0%

The actual cash held by the Fund is 33.45%. 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

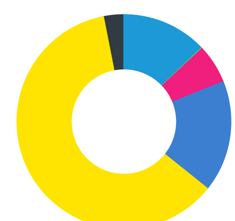
The Fund fell 3.3% in April, impacted by an outsized move in share markets on the last day of the month. Globally, share markets were on the back foot in April, with the technology heavy Nasdaq Index (-13.3%) having its worst monthly performance since the Global Financial Crisis in 2008.

In our international portfolio, there were a few bright spots. US budget hotel operator Wyndham Hotels & Resorts (+3.9%) delivered a solid performance, benefitting from the recovery in domestic travel. There is huge pent-up demand for leisure travel as the economy reopens. Italian infrastructure group Atlantia (+20.8%) was another strong contributor, on news of a takeover bid from private equity company Blackstone & the Benetton family. US payments giant Mastercard (+1.8%) was one of the few technology companies to make gains in April.

The biggest detractor in April was Alphabet (-17.7%) which had its worst month since 2008, as quarterly results missed analyst expectations. Alphabet's results were impacted by a slowdown in advertising spend in Europe as a result of the war in Ukraine along with a moderation in growth at YouTube. Other detractors included US financial services group Charles Schwab (-21.3%) and US hospital operator HCA (-14.4%).

Closer to home, Australian markets were resilient in April. Strong performers included natural gas giant Santos (+3.4%) and supermarket operator Woolworths (+3.4%). Less positive, lithium and nickel miner IGO (-6.3%) gave back some its strong March gains. Locally, Fisher & Paykel Healthcare (-11.7%) underperformed as demand softens for its products as the pandemic subsides.

Looking ahead, the economic outlook remains uncertain, given elevated inflation and the ongoing conflict in Ukraine. We maintain higher cash levels to allow us to take advantage of the volatility, through adding to our favoured names at cheaper prices.



- Effective Cash[#] 12.92%
- New Zealand Fixed Interest 0.12%
- New Zealand Equities 5.89%
- Australian Equities 16.83%
- International Equities 61.15%
- Listed Property 3.09%
- Other[*] 0%

The actual cash held by the Fund is 13.85%. 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

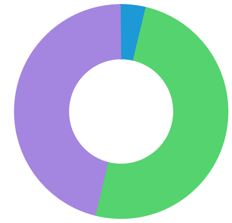
Portfolio Manager: Travis Murdoch

Government bond yields continue to move higher (prices lower) extending one of their worst routs in history. The Reserve Bank of New Zealand moved up a gear in their fight against inflation, raising the Official Cash Rate (OCR) by 0.50% to 1.50%, citing the need to move interest rates higher at a faster pace to reduce the risks of rising inflation expectations, whilst leaving their medium-term outlook for the OCR unchanged. Across the Tasman, the Reserve Bank of Australia left the cash rate unchanged in April but signalled they may raise rates sooner than previously indicated as local inflation pressures continue to build.

Corporate bonds, to which the Fund is most exposed, had another tough month underperforming government bond markets. The Fund returned -1.5% in the month, which was marginally higher than its benchmark, due in part to an outperformance in the Fund's Australian corporate bond holdings compared to those in the benchmark. The Fund was active in NZ primary markets where it bought new issues from Goodman Property Trust and Precinct Properties which priced at attractive yields of 4.74% and 5.25% respectively. The Fund sold several bonds in the secondary market including Westpac and Vector where we see less potential for price appreciation.

Looking forward, volatility is likely to remain elevated in fixed income markets as central banks move decisively to minimise the risk of spiralling inflation. Nonetheless, we view higher market interest rates in Australasia as largely reflecting the impact of anticipated future central bank rate hikes. As such, the Fund maintains above neutral exposure to NZ interest rates where we think near-term risks to economic growth, which may lead to a lower OCR than is currently priced into bond yields, are partially offset by below neutral exposure to US interest rates.

Actual investment mix[1]



- Effective Cash# 3.76%
- New Zealand Equities 0.17%
- New Zealand Fixed Interest 49.99%
- Other* 0%
- International Fixed Interest 46.08%

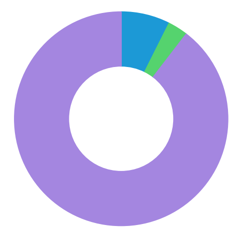
The actual cash held by the Fund is 3.07%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

April was yet another tough month for fixed income markets. Government bond yields moved aggressively higher (prices lower) extending one of their worst routs in history as central banks continue to signal ever-more aggressive policy tightening to minimise the risk of spiralling inflation. Corporate bonds were weak, underperforming government bonds and reversing the previous month's outperformance.

The Fund returned -2.2% in the month, which was -0.2% lower than its benchmark due in part to the Fund's above neutral exposure to corporate hybrids and subordinated financial bonds which underperformed. Trading activity in the Fund was muted in April as the Fund remained defensive and selective. In primary markets the Fund bought bonds from Australian biotherapeutics company CSL Limited, which issued bonds in US Dollars for the first time. In secondary markets the Fund bought the subordinated bonds of US Telecommunications company AT&T and sold several outperforming bonds including Eircom (European Telecommunications) and Infineon (European Semiconductor). Looking forward, volatility is likely to remain elevated in fixed income markets as central banks move decisively to minimise the risk of spiralling inflation. Nonetheless, pockets of value are emerging in corporate bonds, underpinned by higher and closer to fair value market interest rates. The Fund maintains slightly below neutral interest rate exposure to the US offset by above neutral exposure to Australasia where we think market interest rates more fully reflect the impact of anticipated future central bank rate hikes.



- Effective Cash# 7.42%
- Other* 0%
- New Zealand Fixed Interest 3.03%
- International Fixed Interest 89.55%

The actual cash held by the Fund is 4.53%. 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

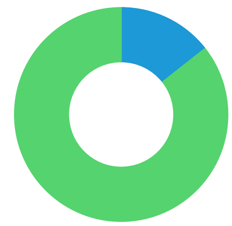
Portfolio Manager: Travis Murdoch & Katlyn Parker

April's Reserve Bank of New Zealand (RBNZ) Monetary Policy Review saw the Official Cash Rate (OCR) increased by 0.5 percentage points to 1.5 percentage points.

Short-dated NZ Dollar bank bills, a reflection of interbank funding levels, continued their move higher throughout the month. This was driven by heightened market expectations of faster paced OCR increases with the market attaching a very strong probability of the RBNZ delivering another 0.5 percentage point increase to the OCR at the upcoming May meeting. Looking forward, this should continue to benefit the Fund by increasing the interest rates into which it can progressively reinvest maturing holdings. Our base case remains for higher interest rates from here, although elevated market expectations seem higher than what may 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 14.40%. 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

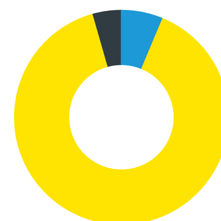
Portfolio Manager: Felix Fok

The Fund fell 5.4% in April. Over three years, the Fund is up a cumulative 35.0% (net of fees) compared to the market index which is up 35.7%.

Positive contributors included Mastercard (+1.8%), as card networks benefit from consumer and business travel and entertainment spending. The reopening of stores and restaurants and travel are contributing to further growth this year. Similarly, health insurer Anthem (+2.2%) continues to see solid fundamentals, with membership exceeding market expectations in the March quarter. Healthcare is a defensive sector that should provide some shelter against inflation and growth concerns in the market.

As for detractors, Google-parent Alphabet (-17.7%) reported results that missed short-term expectations. The concern centres on advertising spending in light of the Ukraine-Russia conflict and its impact on broader European consumer marketing. Google has a solid position in sponsored internet search results, which underpins its valuation. Amazon.com (-23.8%), like Alphabet, had one of its worst months since the global financial crisis in 2008-2009. Despite its profitable cloud-computing segment (AWS) growing 37% year over year, investors focused on the outlook for its online shopping segment, which is seeing inflation and weaker-than-expected utilisation.

The Fund focuses on the medium-term opportunity by compounding with strong, profitable 'Future Leaders'. The Fund is actively upgrading the portfolio in light of the opportunity afforded by the market volatility.



The actual cash held by the Fund is 6.36%. 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

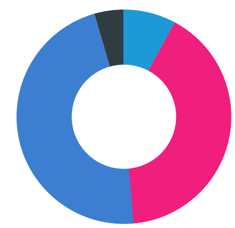
Portfolio Manager: Sam Trethewey

The Fund fell 1.3% in April. This compares to a 1.9% decline in the NZX 50 and a 0.9% decline in the ASX 200. The market performance continues to be driven by cautious sentiment towards rising interest rates and inflation pressures.

Performance for the Fund was led by supermarket operator Metcash (+5.5%) and Infratil (+1.8%). Metcash provides exposure to a largely inflation hedged earnings stream and the opportunity for the stock to be significantly re-rated as a new CEO improves the quality of the business. Infratil continues to be highly sought after by the market given its defensive earnings stream and a potential sale of Vodafone's mobile towers. Elsewhere we added to our holding in Pushpay following notice of a potential takeover offer, we exited Qantas on strength and trimmed lithium miner IGO. We finished the month with cash of 8%.

Looking ahead, we expect the next few months will be a big test of the NZ economy given a cooling housing market, inflation pressures and the RBNZ lifting interest rates at pace. In Australia, the economic outlook is far stronger, and its resources are in demand. A slowing Chinese economy is a potential headwind for Australia but for now we expect China to stimulate to maintain economic growth. Consequently, we have positioned the Fund heavily towards the ASX and defensively across the NZX. We expect markets to remain volatile in coming months given the increasing inflation pressures and tightening monetary policy. This will drive share prices to overreact to both the upside and downside as the market digests the changes. Our strategy is to remain active and take advantage of opportunities as they occur. Irrespective of short-term market performance, long-term returns of the Fund will be influenced by our stock selection.

Actual investment mix[1]



- Effective Cash# 7.95%
- Listed Property 4.53%
- New Zealand Equities 40.69%
- Other* 0%
- Australian Equities 46.83%

The actual cash held by the Fund is 6.60%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

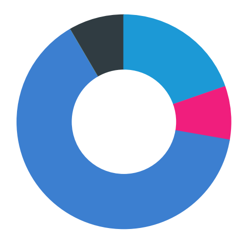
Dynamic Fund

Portfolio Manager: William Curtayne & Michael Higgins

The Fund fell 2.6% in April, below the S&P Small Ordinaries benchmark which fell 1.4%. Overall, our defensive positioning helped offset some stock specific news amongst our 'reopening beneficiary' companies which dragged on performance.

During the month supermarkets performed well, led by independent supermarket and hardware retailer Metcash (+5.5%). Coles (+4.4%) posted a solid 3rd quarter with top-line growth supported by food inflation. Importantly for Metcash, the commentary suggested neighbourhood centres performed stronger than shopping mall/CBD located stores. Fuel retailer Viva Energy (+19.6%) provided an operational update which indicated total volumes had rebounded nicely in line with the domestic reopening. Corporate Travel Management (+10.5%) rallied on renewed optimism for the return of international travel. Detractors included digital payments provider EML Payments (-46.8%) which was severely sold-off.

With an elevated cash position and general defensive positioning, we are well positioned for a continued volatile environment. We own very few high valuation multiple companies which are casualties of tight liquidity, or speculative commodity explorers which are many years away from production but trade on excessive optimism. Instead, we favour miners in production, those companies that benefit from the reopening or companies with strong pricing power and an ability to pass on costs.



- Effective Cash# 19.69%
- Listed Property 8.45%
- New Zealand Equities 8.06%
- Other* 0%
- Australian Equities 63.80%

The actual cash held by the Fund is 20.54%. 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*	-1.05%	-3.66%	2.75%	3.97%	4.82%	1.1707	580.2 M
Diversified Income Fund*	0.26%	2.84%	5.46%	6.45%	9.97%	1.8793	2,871.6 M
Balanced Fund	-0.73%	2.35%	8.54%	8.28%	9.56%	2.8890	1,681.3 M
Active Growth Fund	-1.81%	1.76%	10.54%	10.76%	12.14%	4.9347	2,625.1 M
Australian Absolute Growth Fund	1.28%	10.15%	14.10%	—	10.78%	1.5240	671.4 M
Aggressive Fund	-3.25%	—	—	—	—	.9728	883.8 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	-1.45%	-7.37%	0.28%	2.11%	3.67%	1.0970	1,071.9 M
Global Corporate Bond Fund*^	-2.16%	-6.63%	1.10%	2.22%	2.62%	1.0166	513.6 M
Cash Fund	0.11%	0.71%	0.89%	—	0.95%	1.0305	169.4 M
Equity Funds							
Global Equity Fund†	-5.38%	-3.82%	10.52%	9.80%	9.02%	2.1591	632.3 M
Trans-Tasman Equity Fund*	-1.34%	-0.08%	11.71%	12.58%	11.39%	3.8296	792.5 M
Dynamic Fund#	-2.63%	0.44%	15.86%	14.07%	13.18%	2.8571	748.4 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)	-1.86%	-5.98%	6.62%	10.95%	11.90%
S&P/ASX 200 Accumulation Index (AUD)	-0.85%	10.16%	9.41%	8.81%	7.94%
S&P/ASX 200 Accumulation Index (NZD)	0.56%	12.04%	10.76%	8.93%	8.80%
MSCI World Index (local currency)*	-6.90%	-0.11%	10.91%	10.41%	9.08%
MSCI World Index (NZD)*	-1.74%	6.66%	11.41%	11.41%	11.11%
S&P/NZX 90-Day Bank Bill Rate	0.08%	0.59%	0.78%	1.26%	1.67%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-2.69%	-6.75%	0.36%	1.56%	1.80%
S&P/NZX NZ Government Bond Index	-2.37%	-9.97%	-1.94%	0.92%	1.85%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	21/07/2022
Diversified Income Fund	1.1 cents (Quarterly)	19/05/2022
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	16/06/2022
Global Corporate Bond Fund	0.45 cents (Quarterly)	16/06/2022
Trans-Tasman Equity Fund	1.5 cents (Biannually)	15/09/2022

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

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund
NZLGFA 2.25% 2028 1.57%	NZGBI 2% 2025 3.18%	Contact Energy 2.23%
NZLGFA 1.5% 2026 1.38%	Contact Energy 2.26%	NZGBI 2% 2025 1.31%
NZLGFA 2.25% 2024 1.28%	Spark 1.50%	HCA Holdings 1.16%
NZGBI 2% 2025 1.21%	Goodman 1.47%	Microsoft 1.07%
NZLGFA 4.5% 2027 0.92%	Transurban 1.44%	Santos 1.03%
CBA 2.552% 2027 0.80%	Telstra 1.39%	Telstra 1.00%
IAG 5.32% 2038 0.76%	Getlink 1.35%	Spark 0.96%
Housing NZ 3.36% 2025 0.70%	Origin Energy 1.11%	Anthem 0.92%
McDonald's 3.45% 2026 0.68%	NAB 1.10%	Virgin Money 0.92%
John Deere 1.75% 2024 0.67%	Cheniere Energy 1.09%	Alphabet 0.90%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Contact Energy 3.86%	CSL 6.63%	Boston Scientific 2.53%
Virgin Money 2.66%	Metcash 4.34%	Microsoft 2.52%
Microsoft 1.88%	Evolution Mining 3.89%	Shell 2.47%
CRH 1.85%	Contact Energy 3.82%	Wyndham Hotels 2.39%
HCA Holdings 1.85%	Woolworths 3.54%	Alphabet 2.29%
Natwest 1.71%	Telstra 3.50%	HCA Holdings 2.19%
Santos 1.67%	Coles 2.76%	Anthem 2.01%
Charter Hall Retail 1.59%	Santos 2.56%	Aon 2.00%
Shell 1.58%	Virgin Money 2.39%	Visa 1.84%
JPMorgan 1.57%	Newcrest Mining 2.21%	EOG Resources 1.78%

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 2.25% 2028 3.83%	BNZ 2.285% 2027 2.25%	Westpac 45 Day WND 14.28%
NZLGFA 1.5% 2026 3.37%	McDonald's 3% 2024 2.20%	Spark CD 2022 6.47%
NZLGFA 2.25% 2024 3.12%	Becton Dickinson Euro 0.334% 2028 2.17%	ANZ 1.35% 2022 5.92%
Housing NZ 3.36% 2025 1.70%	Danaher Corp 0.45% 2028 2.10%	Auckland Airport CD 2022 5.88%
Spark 4.37% 2028 1.56%	NXP BV 4.3% 2029 2.09%	ANZ 1.32% 2022 4.74%
Vector 3.69% 2027 1.55%	John Deere 0.70% 2026 2.05%	SBS CD 2022 4.12%
NZLGFA 1.5% 2029 1.55%	John Deere 1.75% 2024 2.05%	Fonterra CD 2022 3.54%
ANZ Float 2024 1.51%	NZLGFA 4.5% 2027 1.97%	ANZ 1.55% 2022 2.96%
IAG 5.32% 2038 1.45%	Aroundtown 4.5% 2025 1.83%	ANZ 1.84% 2022 2.96%
NAB Float 2026 1.44%	CSL 3.85% 2027 1.79%	Genesis CD 2022 2.95%

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 4.57%	BHP 5.42%	Metcash 4.79%
Alphabet 4.18%	CSL 5.01%	Contact Energy 4.11%
Mastercard 3.56%	CBA 4.79%	Evolution Mining 3.59%
Apple 3.41%	Infratil 4.62%	Collins Foods 3.41%
Costco 3.22%	Fisher & Paykel 4.32%	Seven Group 3.26%
EOG Resources 2.69%	Mainfreight 3.65%	IPH 3.16%
Anthem 2.47%	EBOS Group 3.63%	Viva Energy Group 3.00%
Accenture 2.40%	Contact Energy 3.59%	oOh!media 2.73%
Prologis 2.39%	NAB 3.21%	EBOS Group 2.66%
Intercontinental Exchange 2.34%	Goodman 2.86%	Santos 2.57%

Milford and Milford staff have approximately $32.6 million invested across our Investment Funds as at the end of April 2022.

Felix Fok
Portfolio Manager

Investment Highlight: Costco

More than just a retailer

Retailers bring value to the consumer by offering a broad range of goods, assurance of quality, lower prices, and convenience.

TradeMe users will appreciate the access it brings with just a button click, from second-hand baby gear to sports equipment to limited-edition collectables, like a P12 Martin Jetpack. There is something for everyone.

Convenience depends on circumstances. Some items you want right away and would drive to a store to pick it up, some you want to touch and feel before committing, while others can wait to have it shipped.

The industry jargon 'omnichannel' refers to enabling the choice between pick-up in-store or delivery as you buy online or just shop in stores the traditional way. 'Omni' covers all bases and, importantly, entails a role for the physical store.

Hypermarket operator Costco scores well on these measures. With nearly 600 warehouses in the US (a total of more than 800 globally), each with a floor area at least twice that of a Pak'nSave, it offers a wide range of items from diamond rings to $1.50 hotdogs to petrol, as well as pharmacies and travel agents.

On price, the most intuitive form of value, many of Costco's products are sold in bulk directly off the pallet, hence the 'wholesale' descriptor. It sells to retail customers at wholesale prices for an annual membership fee.

This subscription feature is not widely adopted by retailers as the scheme is difficult to get going.

In asking for $60 upfront, Costco loses the casual shopper who might otherwise have dropped in and spent a few dollars but creates exclusivity for its members to access its low prices. It is potentially a virtuous cycle that sees low prices attract new members; more members drive better economics and purchasing power over suppliers, which results in lower prices and member loyalty. Members who have already paid their dues feel compelled to extract value by shopping more at Costco. Costco has 63mn paying subscribers generating $4bn in fees with a 90% plus renewal rate. This highly recurring income underpins its financials and valuation.

Another reason Costco can offer wholesale prices is product selection. While it aims to provide breadth across categories, it focuses its purchases on fewer options within each category; a typical Costco store will have 4,000 different products, whereas a Walmart might have 100,000. This gives it more bargaining power over its suppliers than other retailers.

Furthermore, unlike some overt discounters, product quality is not sacrificed. Its house brand, Kirkland Signature, is ubiquitous in its stores and makes up c.30% of customer baskets, generating $59bn in revenues! While many retailer house brands are seen as inferior to branded goods, Kirkland has been positioned as premium products at discount prices over the past two decades and Costco continues to add to the Kirkland range. Despite being available only at Costco stores, Kirkland has annual sales that rival major global consumer brands.

Steadily growing subscription revenues and having one of the largest consumer brands are attributes that make Costco more than just a retailer. Still, retailing risks are many, including labour and competition.

An area of focus will be international expansion, particularly in China which has seen many Western grocers turn tail. Closer to home, Costco already has 13 stores in Australia and is opening its first in NZ in the second half of this year.

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