Milford Investment Funds
Monthly Review June 2022

Half-time huddle

Share markets continue to be volatile as they adjust to the evolving backdrop. Although global shares staged a strong rally into the end of the month, it remains too soon to sound the 'all clear' on market volatility.

As we have been writing all year, global bond and share markets are adjusting to a regime of higher interest rates as central banks fight inflation. This adjustment process will take time, and there remains the risk that an aggressive series of interest rates hikes will push economies into recession. Investors are attuned to this risk and with global bond markets already expecting many interest rate hikes, the global bond sell-off stalled last month. Expected returns from bonds are improving and we continue to add exposure, particularly on the corporate side where high single digit yields are on offer. For example, last month we invested in the loan financing the 2degrees/Orcon merger in NZ.

Share markets continue to unwind the excesses of the last two years. This means that many of the companies whose share prices soared in the last two years are struggling this year as high valuations come back down to earth. The next stage of this process is profit warnings from companies as revenues stall and costs (including wages, fuel costs and other input prices) continue to rise. However, some companies are currently experiencing their own profit boom. This is primarily in the energy and materials space as commodity prices continue to soar. Key picks last month, EOG Resources (+17.3%) and BHP Group (+4.4%) are two companies falling into this category.

A volatile backdrop means we continue to be highly active, with large swings in fund exposures. This is particularly true across our diversified funds that can choose to allocate across different asset classes. Overall, our funds retain a more defensive stance, with lower exposure to share markets and higher cash balances. We are still finding opportunities for investment though, both in bonds (as outlined above) as well as shares. With a rapidly evolving outlook, Milford's investment team is constantly adapting and positioning the funds according to that backdrop.

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Conservative Fund

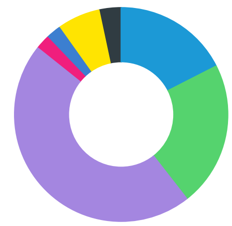
Portfolio Manager: Mark Riggall

The Fund returned -0.4% in the month with a one-year return of -4.1%. Share markets were volatile last month - although global shares finished the month unchanged it took a late month 7% rally off the lows to do so. This type of move has been commonplace this year and will likely persist in the coming months - big swings up and down.

The Conservative Fund's small exposure to shares should help insulate the Fund from this volatility, with further defensive measures taking the Fund's share exposure even lower. In addition, the Fund has significantly reduced exposure to global growth companies as these are most likely to be at risk from further weakness in the months ahead. Encouragingly, last month saw a pause in the global bond sell-off that has been the source of weakness for the Fund.

With bond markets already pricing in many interest rate hikes, we are starting to invest more into bonds. This includes NZ bonds but also global corporate bonds that are offering high single digit returns. The bond market is likely to continue to be volatile, but future returns are looking much more attractive given the yields on offer. We continue to find good bonds and shares to invest in to deliver steady returns, but the Fund will retain a broadly defensive stance going forward, in the expectation of further volatility.

Actual investment mix[1]



- Effective Cash# 17.51%
- New Zealand Fixed Interest 21.93%
- International Fixed Interest 46.26%
- New Zealand Equities 2.16%
- Australian Equities 2.28%
- International Equities 6.51%
- Listed Property 3.35%
- Other* 0%

The actual cash held by the Fund is 10.45%. 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

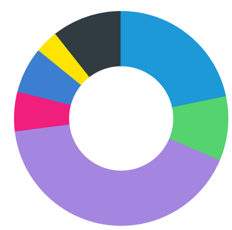
After a few months of positive returns, May saw the Fund on the back foot as it posted a negative return of -1.7%.

Many of the Fund's bonds were weaker, most notably in Australian Dollars and Euros where market interest rates rose post the respective central banks indicating coming rate increases. Performance across the Fund's shares was disparate. There were some strong performers, including rising rate beneficiaries such as offshore banks which partially recovered from recent recession scare weakness (e.g. UK Barclays Bank +14.1%) and Shell PLC, a recent addition to the Fund and UK energy transition beneficiary, which rose 10.3% in May. Unfortunately, there was notable weakness across the Fund's property company holdings. Industrial property companies such as US based Prologis and Australian based global property manager Goodman Group were two of the weakest on fears that tenant demand may be waning as Amazon disclosed it had spare warehouse capacity.

Fund positioning remains cautious. Share exposure within the Fund remains significantly lower than its long run neutral. Broad equity market valuations appear to have adjusted to higher interest rates but may need to fall further to acknowledge ongoing higher economic and earnings uncertainty. We do however continue to add opportunistically to shares where valuations and future returns are attractive. In May we bought European telecommunications tower company Cellnex which has defensive inflation-linked earnings.

In recent weeks we have also been adding more corporate debt where potential returns are increasingly attractive, many in high single digit implied returns to maturity. Prevailing market interest rates may be approaching long run fair value, but we are still wary risks remain skewed for rates to move higher if inflation is more persistent. To mitigate this risk, we have focused our buying in shorter dated bonds where the impact of higher market interest rates is lower. An example was participation in the loan financing of the 2degrees merger with Orcon.

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



- Effective Cash# 21.76%
- New Zealand Fixed Interest 9.69%
- International Fixed Interest 41.51%
- New Zealand Equities 5.97%
- Australian Equities 6.91%
- International Equities 3.51%
- Listed Property 10.65%
- Other* 0%

The actual cash held by the Fund is 5.42%. 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 -1.4% in the month with a one-year return of 0.8%. Although global shares finished the month unchanged it took a late month 7% rally off the lows to do so. This type of move has been commonplace this year and will likely persist in the coming months - big swings up and down.

One silver lining last month was a pause in the global bond market sell-off. With many interest rate hikes now factored into bond prices, there are some good opportunities emerging to invest. The Fund has been increasing exposure to NZ bonds as well as selected global corporate bonds that can deliver high single digit yields. The share market exposure in the Fund has been fluctuating as the outlook evolves and to capture some of the large swings in markets. From a 60% neutral position, the Fund has been moving between 45% and 55% exposure to shares this year. The type of share exposure has also changed, with a significant reduction in exposure to global growth companies as these are most at risk from further declines in valuation.

Looking ahead, further volatility is likely. For this reason, the Fund retains its defensive stance of around 50% exposure to shares, with good conviction in those shares that we still hold. Increased exposure to bonds should also start to offer some steady returns on the other side, helping mitigate any further broad falls in share markets.

Actual investment mix[1]

- Effective Cash# 20.50%
- New Zealand Fixed Interest 6.90%
- International Fixed Interest 25.26%
- New Zealand Equities† 8.34%
- Australian Equities 7.19%
- International Equities 25.00%
- Listed Property 6.81%
- Other* 0%

The actual cash held by the Fund is 8.90%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

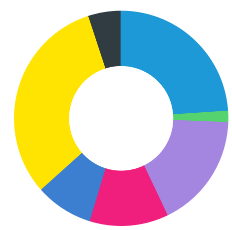
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund fell 1.1% in May in what was another volatile month for share market indices (New Zealand -4.9%, Australia -2.6%, global -0.2%). Share markets continue to be impacted by uncertainty due to the war in Ukraine, high inflation, rising interest rates and the economic outlook. The New Zealand share market fell in response to rises in interest rates which put pressure on company valuations and company earnings. The Reserve Bank of New Zealand lifted the official cash rate by 0.5% to 2.0% during the month and forecast rates going to 3.9% in the middle of next year. The Fund out-performed market returns due to having more defensive strategies in place including lower weights toward shares and avoiding companies with stretched valuations.

Key company performers during the month included energy companies; EOG (+17.3%) and Shell (+11.8%) and global banks Barclays (+14.1%) and JP Morgan (+10.8%). Energy companies continue to benefit from high oil prices and the strong cashflows that they generate. Global banks are a beneficiary of higher interest rates as they are able to deploy their assets at higher yields. During the month the Fund added to our holding in small business accounting and tax software company Intuit. Intuit reported a strong quarterly result with revenues up 35%. We believe Intuit is attractively valued, well managed and has a long runway for future growth.

The short-term outlook for shares remains uncertain with headwinds of higher inflation and higher interest rates which are likely to slow medium-term company growth prospects. Share market valuations have generally improved following market falls and in many cases now reflect a more difficult earnings outlook and high levels of uncertainty. Given the uncertain environment, the Fund remains more defensively positioned than typical, with a lower weight towards shares. The Fund has increased its holdings in fixed income securities which we believe are reflecting the possibility of higher interest rates. The Fund remains active to isolate those companies which we believe have strong risk adjusted return prospects.



- Effective Cash# 23.94%
- New Zealand Fixed Interest 1.71%
- International Fixed Interest 17.28%
- New Zealand Equities‡ 11.73%
- Australian Equities 8.72%
- International Equities 31.55%
- Listed Property 5.07%
- Other* 0%

The actual cash held by the Fund is 8.63%. 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 0.55% *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

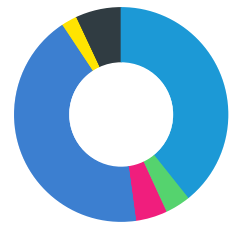
May was a challenging month for equity markets and was really a game of two halves. Early in the month concerns around slower global growth, against a backdrop of rising interest rates and tighter financial conditions weighed on sentiment. Whilst in the second half of the month markets bounced off their recent lows. Our cautious positioning helped the Fund end with a return of -2.1% compared to the ASX 200 return of -2.6%.

Our top performer was US energy company EOG Resources which rallied 17.3% over the month with strong oil prices. Other energy names such as Santos also did well over the month.

We remain cautious about equity markets more broadly as they continue to transition in an environment of higher inflation, higher interest rates and tighter liquidity. As in all market conditions we continue to actively manage positions to take advantage of opportunities as they arise. We continue to favour positions in companies with resilient earnings such as supermarkets, neighbourhood shopping centre landlords and blood plasma company CSL. As monetary policy runs its course, valuations become more attractive and allocations to equities by investors normalise, we will be able to take a more bullish stance within the Fund.

This month we are pleased to welcome Jason Kururangi as a co-manager to the Fund. This is a reflection of Jason's impressive portfolio management track-record prior to joining Milford and his contribution to the Fund over the past couple of years.

Actual investment mix[1]



The actual cash held by the Fund is 32.48%. 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

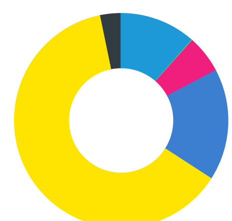
The Fund fell 1.3% in May, in what turned out to be a very volatile month for global share markets. Elevated oil prices, disrupted supply chains and rising wage costs are leading to more persistent inflationary pressures than expected, forcing central banks to accelerate interest rate hikes.

In our international portfolio, energy-related names were the standouts as the oil price rallied. US energy company EOG Resources (+17.3%) rose strongly, after releasing healthy results and introducing a structured shareholder return policy that will lead to very "juicy" dividends for investors. We are encouraged by their emission reduction targets and will be monitoring this closely. Shell (+10.3%) was another outperformer in May and continues to make progress in reducing emissions. We believe Shell is one of the best energy companies managing the transition to a lower carbon world, with their significant investment in renewable energy such as wind power. Semiconductor company Analog Devices (+9.6%) contributed positively as demand remains robust for their products, despite growing economic concerns.

The biggest detractor in May was US hotel chain Wyndham Hotels & Resorts (-8.9%), despite reporting strong first quarter results and seeing a strong recovery in leisure spending in the US. Industrial real estate company Prologis (-20.5%) also had a weak month, as investors continued to rotate out of "Covid winners".

Closer to home, Australasian markets underperformed in May. Strong performers included iron ore producer BHP (+4.4%) and natural gas giant Santos (+2.5%). Negative contributors included property company Goodman Group (-14.3%) and supermarket Woolworths (-10.0%). Locally, Contact Energy (-8.9%) was the main detractor.

Looking ahead, the economic outlook remains uncertain, given elevated inflation and the ongoing conflict in Ukraine. We remain defensively positioned and anticipate more volatility ahead.



The actual cash held by the Fund is 13.98%. 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

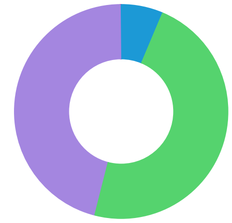
Portfolio Manager: Travis Murdoch

It continues to be a challenging start to the year for bond funds but there are signs that interest rate market volatility is falling with the Fund close to flat over the month, slightly ahead of its benchmark. During the month central banks continued to increase their respective cash rates in response to elevated inflation. The Reserve Bank of Australia increased their cash rate by 0.25 percentage points to 0.35% and the Reserve Bank of NZ (RBNZ) increased the official cash rate (OCR) by 0.50 percentage points to 2.00%. Both central banks signalled further cash rate increases to come, with the RBNZ now forecasting a higher OCR than previously guided.

Corporate bonds, to which the Fund is most exposed, also had a difficult month, particularly in Australia. Fund performance benefitted from relatively better performance of NZ corporate bonds. We believe corporate bond valuations are approaching levels that are attractive on a medium-term basis and the Fund remained active in primary markets. Amongst others, the Fund bought new issues from Mercury NZ, Christchurch International Airport, ANZ, and Westpac.

Looking forward, we expect volatility to continue to remain elevated in fixed income markets as central banks react to persistently high levels of inflation. Although we see risks skewed towards higher market interest rates, Australasian market interest rates have already moved a significant way towards long run fair value. The Fund therefore maintains above neutral exposure to NZ interest rates where we believe near-term risks to economic growth may lead to a lower OCR than is currently priced into the market, albeit this is offset by having sold US bond futures (which benefits the Fund if US interest rates rise).

Actual investment mix[1]



Effective Cash# 6.37%
New Zealand Fixed Interest 47.59%
International Fixed Interest 45.88%
New Zealand Equities 0.16%
Other* 0%

The actual cash held by the Fund is 5.39%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

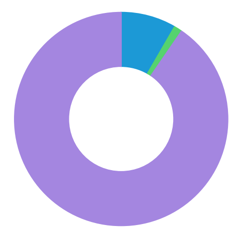
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

After a challenging start to the year for bond funds, there are signs that interest rate market volatility is falling with the Fund generating a positive return of 0.6% in May, which was 0.5% above its benchmark. Returns benefitted from a moderation in the strong pace of rising market interest rates which had driven bond prices lower over recent months. While central banks continue to signal further increases to cash rates, the month saw longer term government bond yields more mixed, with modest declines in the US as the market became more concerned with slowing global growth, but increases in Europe on higher than expected inflation.

The performance of corporate bonds was also mixed across geographies, with US Dollar corporate bonds outperforming those in Euros, where the market remains wary of the removal of monetary policy support from the European Central Bank over the near term. We continue to be selective in our trading activity but do see pockets of value in corporate bonds underpinned by higher and closer to fair value market interest rates. During the month the Fund participated in the inaugural Euro issuance from Visa, as well as issuance from Morgan Stanley and Westpac Australia (in US Dollars).

Looking forward, we expect volatility to continue to remain elevated in fixed income markets as central banks react to persistently high levels of inflation. Although we see risks skewed towards higher market interest rates, global market interest rates have already moved a significant way closer to long run fair value. The Fund maintains its slightly below neutral interest rate exposure to the US, partly offset by above neutral exposure to Australasia where we believe market interest rates more fully reflect the impact of anticipated future central bank rate hikes.



Effective Cash# 8.35%
New Zealand Fixed Interest 1.23%
International Fixed Interest 90.42%
Other* 0%

The actual cash held by the Fund is 4.91%. 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

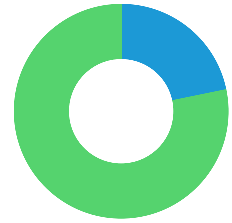
The RBNZ Monetary Policy Statement in May saw the Official Cash Rate (OCR) increased by 0.5 percentage points to 2 percentage points.

Short-dated NZ Dollar bank bills, a reflection of interbank funding levels, continued their move higher throughout the month driven by heightened market expectations of faster paced OCR increases in the near term.

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 albeit as it stands 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 21.78%. 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

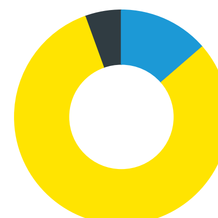
The Fund fell 2.6% in May. Over three years, the Fund is up a cumulative 36.1% (net of fees) compared to the market index which is up 42.1%.

Positive contributors included energy companies EOG Resources (+17.3%, in local currency) and Shell (+9.0%). The Fund has added to the best-in-class operations in Energy since the end of last year for diversification and inflation protection. This group also provides a hedge against further deterioration in the Russia-Ukraine conflict.

Semiconductors rebounded in the month. Analog Devices (+9.6%) and Lam Research (+11.7%) have strategic appeal from digitalisation but are sensitive to the economic cycle. The Fund aims to maintain a position while managing overall risk.

As for detractors, industrial real estate company Prologis (-20.5%) fell as concerns grew over demand for warehouses following a boom in online shopping and inventory stocking. The company also made an opportunistic bid for peer Duke Realty (-3.5%) which adds risk, especially if a downturn is coming. Costco (-12.3%) also fell on weak sentiment for US retailers following earnings misses from Walmart (-15.9%) and Target (-29.2%).

The Fund focuses on the medium-term opportunity by concentrating on strong, profitable 'Future Leaders'. The Fund is actively upgrading the portfolio, considering the opportunity afforded by the market volatility.



The actual cash held by the Fund is 13.87%. 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 Equity Fund

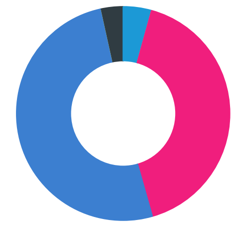
Portfolio Manager: Sam Trethewey

The Fund fell 4.1% in May. This compares to a 4.9% decline in the NZX 50 and a 2.6% decline in the ASX 200. Local equity markets continue to be driven by cautious sentiment towards rising interest rates and inflation pressures.

Performance was led by iron ore miner BHP (+4.4%) and oil and gas producer Santos (+2.5%). Australian resources, including BHP and Santos, were the standout performer this month as it became evident China will attempt to aggressively stimulate its economy to maintain economic growth. Elsewhere NZ technology exposure Pushpay rallied 10.6%. The return from Pushpay highlights the elevated takeover activity that appears to be occurring across the NZX at present. Three of our holdings; Pushpay, SkyTV and Comvita, received either expressions of interest or media speculation that they may be in play during the month. This is reflective of the stage of the cycle we are in; share prices are depressed by short term valuation and earnings headwinds, some investors willing to look through this see value. Over the month we added to Lithium miner IGO and Auckland Airport on weakness and reduced a2 Milk into strength associated with speculation it may supply infant formula to the US market. The Fund finished the month with cash of 4%.

Looking ahead, we expect the next few months to continue to be a significant test of the NZ economy given the headwinds of a cooling housing market and inflation pressures. Our team spent significant time on the road this month visiting companies. In our discussions there was consistent mention of a significant backlog of demand in many sectors and labour supply is extremely tight. The question is will demand hold up as living costs rise. In contrast, the Australian economic outlook is being supported by high commodity prices and more supportive monetary policy. Consequently, we have positioned the Fund heavily towards the ASX and defensively across the NZX. 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# 4.30%
Listed Property 3.40%
New Zealand Equities 41.29%
Other* 0.07%
Australian Equities 50.94%

The actual cash held by the Fund is 6.35%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

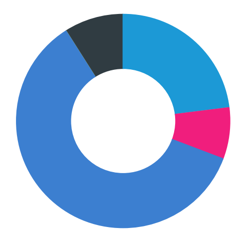
Dynamic Fund

Portfolio Manager: William Curtayne & Michael Higgins

May was a challenging month for equity markets. While we weren't immune from the volatility, our cautious positioning and elevated cash position provided some resistance to the sell-off. The Fund returned -5.3% in May, outperforming the S&P/ASX Small Ordinaries Index which fell -7.0%.

Performance was led by global fund manager GQG (+17.1%) which rallied on continued outperformance against global benchmarks. Much like our approach to investing, GQG is an all-weather manager who should outperform through the cycle. Intellectual Property (IP) services firm IPH (+3.9%) performed resiliently over the month. IPH is a key defensive position in the Fund, with earnings also leveraged to a declining Australian Dollar. Mining service provider Monadelphous (+5.5%) was steady over the month. Monadelphous is winning new contracts across the resources and energy sectors in Australia and PNG. Detractors included Collins Foods (-10.8%) and Metcash (-10.0%).

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. We own very few high valuation multiple companies which are casualties of tight liquidity. As we await more clarity in the economic outlook, we continue to build out a long shopping list of quality businesses to add to the portfolio once they reach more attractive valuation levels.



Effective Cash# 23.02%
Listed Property 9.01%
New Zealand Equities 7.75%
Other* 0%
Australian Equities 60.22%

The actual cash held by the Fund is 24.21%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

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

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

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Multi-Asset Funds							
Conservative Fund*	-0.40%	-4.12%	2.42%	3.71%	4.69%	1.1659	573.1 M
Diversified Income Fund*	-1.71%	0.42%	4.54%	5.88%	9.74%	1.8358	2,772.4 M
Balanced Fund	-1.35%	0.77%	8.10%	7.81%	9.36%	2.8495	1,640.1 M
Active Growth Fund	-1.11%	0.15%	10.09%	10.29%	11.98%	4.8787	2,603.2 M
Australian Absolute Growth Fund	-2.11%	5.43%	12.12%	—	10.00%	1.4918	654.1 M
Aggressive Fund	-1.33%	—	—	—	—	.9597	875.1 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	-0.07%	-7.20%	-0.10%	1.92%	3.62%	1.0962	1,141.1 M
Global Corporate Bond Fund*^	0.58%	-6.22%	1.09%	2.18%	2.69%	1.0225	445.5 M
Cash Fund	0.14%	0.82%	0.88%	—	0.97%	1.0320	261.9 M
Equity Funds							
Global Equity Fund†	-2.56%	-6.24%	10.81%	9.06%	8.62%	2.1035	582.7 M
Trans-Tasman Equity Fund*	-4.14%	-4.04%	9.58%	12.03%	11.00%	3.6696	739.3 M
Dynamic Fund#	-5.27%	-4.59%	12.74%	12.75%	12.34%	2.7065	697.7 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance.
Performance figures are after total Fund charges have been deducted and at 0% PIR.
Please note past performance is not a guarantee of future returns.
Inception dates for the Funds: Active Growth Fund: 1 October 2007, Trans-Tasman Equity Fund: 1 October 2007, Balanced Fund: 1 April 2010, Diversified Income Fund: 1 April 2010, Global Equity Fund: 12 April 2013, Dynamic Fund: 1 October 2013, Trans-Tasman Bond Fund: 2 December 2013, Conservative Fund: 1 September 2015, Global Corporate Bond Fund: 1 February 2017, Australian Absolute Growth Fund: 1 March 2018, Cash Fund: 1 March 2019, 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)	-4.81%	-7.55%	4.5%	9.73%	10.96%
S&P/ASX 200 Accumulation Index (AUD)	-2.6%	4.84%	7.84%	8.84%	7.48%
S&P/ASX 200 Accumulation Index (NZD)	-1.99%	8.64%	9.16%	9.93%	7.84%
MSCI World Index (local currency)*	-0.23%	-1.36%	13.01%	10.03%	8.84%
MSCI World Index (NZD)*	-0.22%	6.45%	12.7%	11.64%	9.96%
S&P/NZX 90-Day Bank Bill Rate	0.12%	0.68%	0.77%	1.25%	1.64%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-0.14%	-7.09%	-0.16%	1.41%	1.84%
S&P/NZX NZ Government Bond Index	0.12%	-9.26%	-2.3%	0.68%	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)	18/08/2022
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 1.53%	NZGBI 2% 2025 3.27%	Contact Energy 2.15%
NZLGFA 1.5% 2026 1.36%	Contact Energy 2.01%	NZGBI 2% 2025 1.35%
NZLGFA 2.25% 2024 1.25%	Getlink 1.50%	Santos 1.08%
NZGBI 2% 2025 1.22%	Goodman 1.38%	HCA Holdings 1.04%
NZLGFA 4.5% 2027 0.95%	Telstra 1.35%	Microsoft 0.97%
CBA 2.552% 2027 0.83%	Spark 1.18%	CSL 0.95%
IAG 5.32% 2038 0.73%	Origin Energy 1.14%	Anthem 0.94%
John Deere 1.75% 2024 0.72%	NAB 1.13%	Charter Hall Retail 0.92%
Westpac 4.043% 2027 0.70%	Cheniere Energy 1.13%	Telstra 0.89%
McDonald's 3.45% 2026 0.69%	Santos 1.12%	Natwest 0.88%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Contact Energy 3.64%	CSL 7.00%	Shell 2.78%
Virgin Money 2.36%	BHP 4.02%	Microsoft 2.65%
Shell 2.17%	Metcash 3.57%	Boston Scientific 2.54%
CRH 2.05%	Contact Energy 3.53%	Alphabet 2.33%
JPMorgan 1.93%	NAB 3.31%	Anthem 2.21%
Natwest 1.81%	Rio Tinto 2.87%	Danaher 2.05%
Boston Scientific 1.81%	Suncorp Group 2.84%	EOG Resources 2.04%
Microsoft 1.79%	Santos 2.52%	Wyndham Hotels 1.99%
NatWest 5.125% Perpetual 1.77%	Irongate 2.33%	Aon 1.97%
EOG Resources 1.60%	Ampol 2.08%	Visa 1.90%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

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

Cash and Fixed Income Funds

Trans-Tasman Bond Fund	Global Corporate Bond Fund	Cash Fund
NZLGFA 2.25% 2028 3.59%	Visa 2% 2029 2.56%	Westpac 45 Day WND 14.60%
NZLGFA 1.5% 2026 3.19%	Becton Dickinson Euro 0.334% 2028 2.49%	Auckland Airport CD 2022 4.95%
NZLGFA 2.25% 2024 2.94%	Danaher Corp 0.45% 2028 2.42%	Spark CD 2022 4.19%
NZLGFA 4.5% 2027 2.24%	John Deere 1.75% 2024 2.37%	Kiwibank 2.7% 2022 3.82%
Housing NZ 3.36% 2025 1.60%	CSL 3.85% 2027 2.08%	Fonterra CD 2022 3.80%
NZLGFA 1.5% 2029 1.47%	JPMorgan 1.578% 2027 2.07%	Contact CD 2022 3.43%
Spark 4.37% 2028 1.46%	AT&T 1.65% 2028 2.00%	SBS CD 2022 3.42%
ANZ Float 2024 1.42%	HCA 5.875% 2026 1.84%	Spark CD 2022 3.05%
Vector 3.69% 2027 1.37%	RBLN 2.75% 2024 1.81%	Mercury CD 2022 3.05%
NAB Float 2026 1.36%	CBA 2.552% 2027 1.71%	SBS CD 2022 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).

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Microsoft 4.30%	BHP 6.15%	Metcash 3.99%
Alphabet 3.98%	CSL 5.47%	Contact Energy 3.98%
Mastercard 3.35%	CBA 5.19%	IPH 3.52%
Costco 2.78%	Infratil 4.58%	Collins Foods 3.27%
EOG Resources 2.65%	Fisher & Paykel 4.25%	Viva Energy Group 3.21%
Apple 2.48%	NAB 4.23%	Evolution Mining 3.10%
Intercontinental Exchange 2.36%	EBOS Group 4.11%	oOh!media 2.82%
Anthem 2.29%	Mainfreight 3.69%	Santos 2.72%
SBA Comms. 2.23%	Contact Energy 3.58%	EBOS Group 2.71%
Aon 2.19%	Auckland Airport 3.10%	HUB24 2.54%

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 $35.2 million invested across our Investment Funds as at the end of May 2022.

Ian Robertson
Senior Analyst

Investment Highlight: T-Mobile

T-Mobile is the second largest US telecom company by subscribers. In 2021 it generated over US$80bn in revenue from providing mobile phone and wireless internet services to over 108 million customers.

Today's T-Mobile was formed in April 2020 when T-Mobile acquired Sprint Communications ("Sprint"). The transaction consolidated the US telecom market from four major wireless players to three. It also grew T-Mobile's scale to better compete, sought to generate cost synergies (or savings) of over US$7bn and gave T-Mobile access to Sprint's large spectrum assets – crucial for T-Mobile's 5G rollout.

To fund the acquisition of Sprint, T-Mobile raised a large amount of debt, leaving post-acquisition debt high relative to earnings. The expectation was that integration of the two companies over the following three years would improve T-Mobile's credit profile through earnings growth (including via cost savings) and using cash flow to manage debt towards more appropriate long-run levels.

The planned integration of two different business cultures, operations, telecom networks, and the migration of Sprint's customer base, while also rolling out its 5G network, was not without risks. Our analysis, however, gave us confidence in management's capabilities to successfully execute the integration while maintaining business momentum, generating sufficient cash flow to fund the material associated costs, and leveraging its strong spectrum assets. We expect that in time, merger-related and 5G spend will subside, and cost synergies be realised, generating significant cash flow to support its credit profile.

Investment thesis for investing in T-Mobile's unsecured bonds

Some of the debt raised by T-Mobile was directly secured by some of T-Mobile's assets and some was unsecured. Given the superior position of the secured debt, this was rated 'Investment Grade' by rating agencies. The unsecured debt was rated 'high yield' and offered a higher return in compensation for its weaker position.

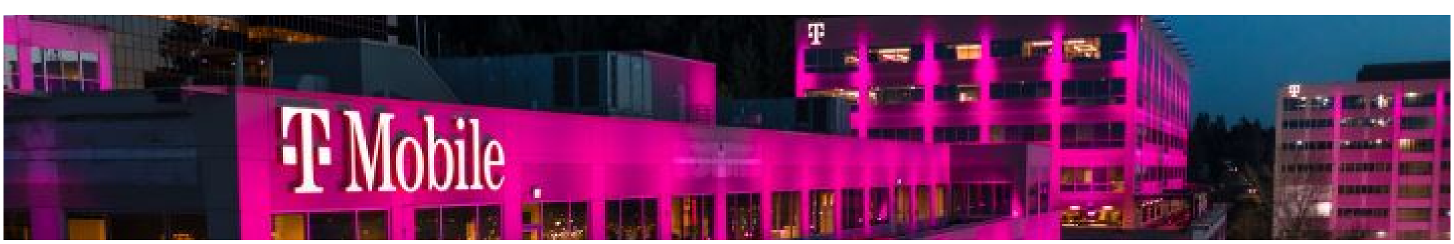
We expected, and continue to expect, that as T-Mobile successfully executes the integration, its credit profile will improve so that the unsecured bonds will also become Investment Grade. Not only should this see the return on the unsecured bonds outperform T-Mobile's secured bonds as its traded yield (or interest rate) would fall on a relative basis (lower yield for bonds means higher price), but it represents an attractive risk/reward opportunity relative to many other bonds available in the market (where companies often aim to maintain, rather than improve their credit profile).

Progress against our thesis

To date T-Mobile's integration continues to plan, progressing customer, operational, and network milestones and achieving cost synergies. More broadly, in a highly competitive market it continues growing earnings organically – via subscriber growth and strategic initiatives such as its 5G rollout – well ahead of its peers.

This progress has supported our investment thesis. Late last year rating agency Fitch upgraded the unsecured bonds to Investment Grade, and in May Standard and Poor's put their rating on 'Credit Watch Positive', suggesting they too may upgrade the unsecured bonds to Investment Grade.

We continue to believe the unsecured bonds offer an attractive reward for the level of risk and anticipate further credit and associated rating improvements which should drive outperformance of the bonds. We see global investment opportunities such as this as offering good, liquid, opportunities for attractive risk adjusted returns and portfolio diversification not readily available in Australasia.



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