Milford Investment Funds
Monthly Review August 2022

A welcome respite

July saw shares and bonds recover from their June rout. This brought some welcome positive returns for funds that were up between 2.5% for the Conservative Fund and 6.9% for the Aggressive Fund.

A clear catalyst for market strength has been second quarter earnings reported by US companies. Weakening global growth led to fears that earnings would suffer. Whilst there have been notable disappointments, the large technology companies broadly delivered strong enough reports to allay the worst concerns and boost global share markets. For Milford's holdings, solid reports from HCA Healthcare and Intuit helped propel these companies shares up 26.4% and 18.5% respectively in July.

Australian and NZ share markets also benefitted from the share market rally with both markets up around 6% in July. Global bond markets ended July over 2% higher too, meaning global share and bond markets almost fully recovered their steep June losses.

July saw global central banks hike interest rates sharply. But with peaking global inflation and weaking economic growth, many investors are expecting a coming pause in the hiking cycle and thus that the worst is over for beleaguered share markets – we believe that amounts to wishful thinking.

Central banks are hiking interest rates to combat inflation, and whilst inflation is likely to moderate from its current eyewatering levels, we think it is unlikely to revert all the way back to 2% targets and stay there. This means central banks will have to keep hiking or maintain interest rates at elevated levels for longer, further damaging economic activity.

Whilst current earnings are reasonable, future profits are likely to be impacted by weaker demand and pressure on profit margins. It is difficult to get too excited about share markets in the near term, given uncertainty over profits and valuations that are not broadly cheap. Therefore, we remain cautiously invested with less exposure to shares and higher cash levels.

Despite the backdrop, we continue to find companies with good outlooks priced at attractive valuations. This is the focus of our investing activities and gives us confidence in the prospect of good, long-term returns.

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

MILFORD
INVESTED IN YOU

Conservative Fund

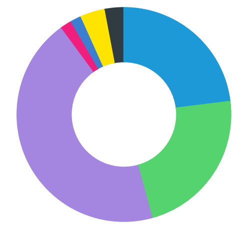
Portfolio Manager: Mark Riggall

The Fund returned 2.5% in July bringing the 1-year return to -4.5%. Strong rebounds in both bond and share markets in July allowed the Fund to more than recoup the losses seen in June. Whilst this is a welcome respite from the string of weaker markets seen this year, we remain concerned about the outlook and retain a cautious stance in the Fund.

Performance in July was boosted by a strong performance from corporate bonds, a position we had been adding to previously. The Fund's small share exposure helped too with outsize moves by stocks such as HCA Healthcare and Intuit, up 26.4% and 18.5% respectively, on the back of reporting strong results. The strength in bonds was due to weaker growth and expectations that inflation will subside, leading central banks to slow, stop and then reverse interest rate hikes soon. We are sceptical of this view; inflation is unlikely to dissipate as quickly as market participants expect.

As a result, we will be using any strength in corporate bonds to reduce some exposure, whilst retaining confidence in the companies that we do own. The Fund's share exposure is likely to remain at minimum levels of around 10%, reflecting the cautious outlook.

Actual investment mix[1]



- Effective Cash[#] 23.04%
- New Zealand Fixed Interest 22.75%
- International Fixed Interest 44.13%
- New Zealand Equities 1.70%
- Australian Equities 1.65%
- International Equities 3.74%
- Listed Property 2.99%
- Other[*] 0%

The actual cash held by the Fund is 13.58%. 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

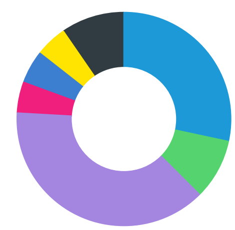
Portfolio Manager: Paul Morris

July was a strong month for bonds and shares, with the Fund returning 3.2%. Global economic growth appears to be slowing and forward-looking inflation measures have fallen. This reduced market expectations for the extent to which central bank policy cash rates may need to increase to tame inflation, thus increasing hopes central banks can engineer a soft economic landing and support corporate earnings. The result was lower market interest rates and higher bond prices. It also increased risk appetite, underpinning a strong month for corporate bonds' (the Fund's predominant bond exposure) outperformance over government bonds and a substantial extension of the broad share market recovery from the June lows. That included notable gains for some of the Fund's larger holdings; e.g. in a strong month for Australian property, which benefitted from lower rates, Goodman Property was up 16.0%, and within global infrastructure the Channel Tunnel operator Getlink was up 16.0%.

July's return was pleasing but Fund positioning remains cautious. We added back some share exposure during the month, but aggregate share exposure remains significantly lower than its long run neutral. Share market valuations have adjusted to the recent fall in market interest rates, but could resume their sell-off if interest rates start to rise again and/or if the earnings outlook deteriorates. We think these remain material risks, especially if inflation remains stubborn and central banks have to hike rates into more restrictive territory, which would negatively impact growth and earnings.

These risks could also negatively impact corporate bonds. Therefore, while our exposure is closer to long run neutral we have trimmed it into the market strength. That said, we continue to selectively add to bonds we believe offer attractive risk, such as a new National Australia Bank subordinated bond callable after 5yrs at a NZ Dollar equivalent yield of approximately 6.8%. To help mitigate the interest rate risk we will still focus on shorter-dated bonds where the impact of higher market interest rates is lower.

Looking ahead, higher market interest rates and the reduced corporate bond and share valuations should benefit medium term returns. The caveat is that near term volatility is likely to remain elevated and risks remain for a resumption in bond and share market weakness. Ongoing cautious positioning therefore remains appropriate, remaining patient for more confidence in the outlook before adding more risk.



- Effective Cash[#] 28.37%
- New Zealand Fixed Interest 9.14%
- International Fixed Interest 38.39%
- New Zealand Equities 4.70%
- Australian Equities 5.00%
- International Equities 4.81%
- Listed Property 9.59%
- Other[*] 0%

The actual cash held by the Fund is 11.36%. 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.

Balanced Fund

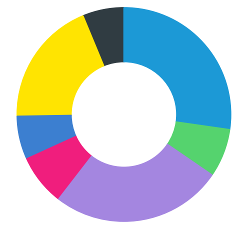
Portfolio Manager: Mark Riggall

The Fund returned 4.2% in July bringing the 1-year return to -1.7%. Strong rebounds in both bond and share markets in July allowed the Fund to recoup most of the losses seen in June. Whilst this is a welcome respite from the string of weaker markets seen this year, we remain concerned about the outlook and retain a cautious stance in the Fund.

Performance in July was supercharged by some strong returns from some key shareholdings such as HCA Healthcare and Intuit, up 26.4% and 18.5% respectively, on the back of reporting strong results. The broad strength in financial markets was attributed to company profit reports that were not as bad as feared, coupled with expectations that we are close to the end of interest rate hikes in this cycle. On both these fronts we are more sceptical.

Company profits are likely to be under pressure for some time owing to the weaker economic outlook and margin squeezes. Meanwhile, inflation is unlikely to dissipate as quickly as market participants expect. As a result, we will be using any strength in shares to reduce general exposure, whilst retaining confidence in the companies that we do own. We still prefer to own corporate bonds for their reasonable return outlook but here too we will be patient before adding to our positions. The road ahead will continue to be bumpy.

Actual investment mix[1]



- Effective Cash[#] 27.26%
- New Zealand Fixed Interest 7.31%
- International Fixed Interest 25.90%
- New Zealand Equities[†] 7.72%
- Australian Equities 6.55%
- International Equities 19.00%
- Listed Property 6.26%
- Other[*] 0%

The actual cash held by the Fund is 11.98%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

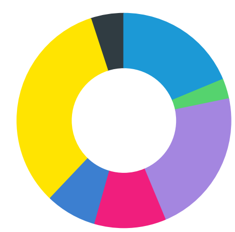
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund rose 5.2% in July as share and bond markets rose sharply and reversed most of June's market falls. The major New Zealand, Australian and global share market indices rising 5.8%, 5.7% and 8.0% respectively. Share markets rose as long-term interest rates fell and investors became less pessimistic. Long-term interest rates fell, despite further aggressive rate rises from central banks, as investors forecast that action from central banks would be successful in bringing down inflation allowing them to ease policy in 2023. The fall in long-term rates and increased investment optimism was positive for company bonds which performed strongly. Strong bond performance allowed the Fund to keep up with markets despite lower weighting in shares.

Key company performances in the month included Amazon (+27.1%), US hospital company HCA Healthcare (+26.4%), small business software provider Intuit (+18.5%) and US homebuilder DR Horton (+17.9%). Amazon rebounded as it delivered a better-than-expected result which showed continued strong growth in cloud computing and a recovery in retail performance. HCA rose following better-than-expected results and in particular signs that it was better able to manage wage price inflation which hurt its previous result. DR Horton rose following a very strong result which showed a 53% rise in profits versus the previous year. DR Horton is the United States largest home builder and has benefitted from the strong housing market in the United States. Looking forward rising mortgage rates in the US are creating a headwind for housing markets however we believe this is more than factored into DR Horton's valuation, which remains attractive.

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. Following the rise in share markets, last month's valuations in aggregate are around long-run averages but vary significantly by style with growth company valuations above average as investors remain optimistic about this sector. This variation in valuations provides the opportunity for active management gains over time. 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 company bonds (fixed income) which we believe reflect the high levels of market uncertainty. The Fund remains active to isolate those companies which we believe have strong risk-adjusted return prospects.



- Effective Cash[#] 18.75%
- New Zealand Fixed Interest 3.01%
- International Fixed Interest 21.95%
- New Zealand Equities[‡] 10.67%
- Australian Equities 7.70%
- International Equities 32.88%
- Listed Property 5.04%
- Other[*] 0%

The actual cash held by the Fund is 9.77%. 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 0.53%
[*]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

Equity markets had a strong recovery in July after suffering through a very tough first half year.

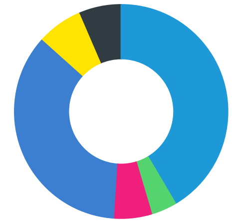
The Fund gained 3.3% for the month which pleasingly returns the 2022 calendar year performance to largely flat. Further market gains from here should see the Fund move into positive returns for the year while our defensive positioning will limit the downside if the market sell-off resumes.

Our largest winners over the month were unsurprisingly many of our small company investments. Neuren Pharmaceuticals was a standout which rallied 48.4% and went through 52-week highs as new investors uncovered the potential of this business. Other strong small companies were Paladin Energy (+27.6%) and Universal Store (+19.0%) while our best larger company was Goodman Group (+16.0%).

The Fund has very little exposure to resource companies after selling over the previous few months, but we did suffer some losses in Newcrest (-7.6%) and Santos (-1.6%). We are looking forward to buying certain mining companies within the next year but for now continue to believe it is a sector to avoid given China's reluctance to do large economic stimulus and slowing growth in the western world.

We remain cautiously positioned by holding more cash and owning predominantly high quality and strong cashflow businesses. While year-on-year inflation will be approaching a peak in the coming months, it may still prove stubborn in falling back to levels low enough to appease central bankers. This will continue to be a headache for central banks as economic growth slows and the company earnings downgrade cycle gets much worse over the second half of the year. The rollercoaster in markets is likely to continue, however Milford's strategy and the Fund positioning is aimed at delivering a smoother ride in the short term while still achieving strong returns in the long run.

Actual investment mix[1]



- Effective Cash# 41.48%
- New Zealand Fixed Interest 3.92%
- New Zealand Equities 5.58%
- Australian Equities 35.63%
- International Equities 6.90%
- Listed Property 6.49%
- Other* 0%

The actual cash held by the Fund is 31.40%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Aggressive Fund

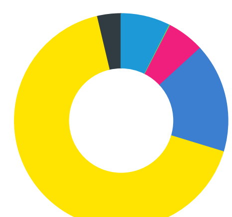
Portfolio Manager: Stephen Johnston

The Fund gained 6.9% in July, benefitting from a healthy rebound in global share markets.

In our international portfolio, growth companies outperformed with strong gains in our healthcare and technology holdings. The top contributor in July was US private hospital operator HCA Healthcare (+26.4%), after delivering better-than-expected second quarter earnings. HCA has been hampered by a shortage of nurses, the same issue we have been having locally. The good news is that labour headwinds are abating, hiring improved in the second quarter and reassuringly, management reiterated their 2022 guidance. Medical device company Boston Scientific (+10.1%) was another strong performer, with quarterly earnings showing an acceleration in organic revenue growth and the China business surprising to the upside. We added to our position. Other highlights included semiconductor company Analog Devices (+17.7%), US accounting software company Intuit (+18.5%), and tech giant Amazon (+27.1%). Underperformers in July were defensive companies such as pharmaceutical company Bristol-Myers Squibb (-4.2%) and US derivative exchange CME (-2.6%).

Closer to home, Australasian markets joined in the rally in July. Strong performers included Commonwealth Bank of Australia (+11.5%), real estate investment trust Goodman Group (+16.0%) and blue-chip biotechnology company CSL (+7.7%). In the NZ market, Mainfreight (+12.1%) and Contact Energy (+5.1%) also performed well. The major negative contributor was BHP Group (-6.2%) on concerns over the slowing Chinese property market and the impact that might have on iron ore demand.

Looking ahead, while the economic outlook does remain uncertain, inflation is peaking, and interest rate rises are likely to slow from here. We have been taking advantage of the recent volatility to add to some of our favoured companies.



- Effective Cash# 7.46%
- New Zealand Fixed Interest 0.16%
- New Zealand Equities 5.60%
- Australian Equities 16.49%
- International Equities 66.57%
- Listed Property 3.65%
- Other* 0.07%

The actual cash held by the Fund is 13.18%. 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

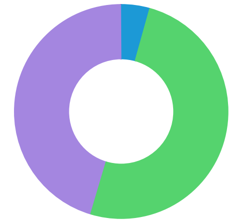
Portfolio Manager: Travis Murdoch

The Fund returned 2.2% in the month, which was close to its benchmark's return. Returns benefitted from lower market expectations for interest rates (higher bond prices) as slowing growth reduced the extent to which the market perceived global and Australasian central banks may need to increase interest rates to bring down inflation. That said, in July the Reserve Bank of New Zealand and Reserve Bank of Australia maintained their focus on tightening monetary conditions, increasing their respective cash rates by 0.5 percentage points, and guiding to further hikes.

Relative to benchmark the Fund benefitted from its longer than neutral exposure to NZ Dollar interest rates, however, this was more than offset by having an exposure to rising US Dollar rates which fell. The Fund's larger than neutral exposure to corporate bonds was a very small positive contribution to performance relative to benchmark, albeit the Fund's Australian exposures were marginally weaker in the month. The Fund has maintained its overweight exposure to corporate bonds but has continued selling more expensive holdings in favour of new issuance last month, including from machinery manufacturer John Deere (in Australian Dollars) and subordinated issuance from ANZ Bank NZ and National Australia Bank.

We have a moderately cautious outlook in the near term as we expect ongoing volatility in bond interest rates. The slightly higher than neutral exposure to the outperformance of corporate bonds relative to benchmark is focused in NZ Dollars given their historic lower volatility. Overall Fund interest rate exposure remains close to neutral, but we retain the above neutral exposure to NZ Dollar interest rates offset by an exposure to rising US Dollar rates.

Actual investment mix[1]



- Effective Cash# 4.34%
- New Zealand Fixed Interest 50.25%
- International Fixed Interest 45.30%
- New Zealand Equities 0.11%
- Other* 0%

The actual cash held by the Fund is 3.69%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

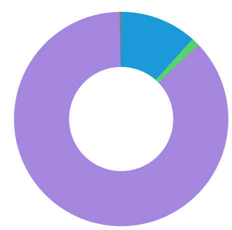
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

The Fund returned 3.2% in the month, which was 0.3% ahead of its benchmark. Absolute returns were part driven by lower market expectations for interest rates (bond prices higher) as economic data weakened, reducing market expectations for the extent to which central banks may need to increase interest rates to bring down inflation. Nevertheless, global inflation data has thus far remained strong and central banks have maintained hawkish rhetoric, including the European Central Bank and the US Fed increasing interest rates by 0.5 percentage points and 0.75 percentage points respectively.

Absolute returns further benefitted from outperformance of corporate bonds over government bonds in the month. Corporate bond performance was supported by seasonal trends, including lower bond issuance into earnings season, but we remain wary of the impact that slowing economic momentum may have on corporate earnings. Although the Fund participated in a new subordinate bond from National Australia Bank, the focus was more on reducing some corporate bond exposure into the market strength. We sold a number of US Dollar and Euro holdings, including subordinate bank exposure from UBS, Deutsche Bank, and Barclays. Relative to benchmark the Fund benefitted from a slightly larger sensitivity to corporate bond outperformance versus its benchmark. Unfortunately, the positive contribution from the longer than neutral exposure to Australasian interest rates was more than offset by a below neutral exposure to US interest rates.

We maintain a cautious outlook over the near term amidst expectations for further volatility and uncertain economic growth and inflation. As mentioned above, we have moved to a moderately conservative corporate bond exposure versus the long run neutral. Further, following the recent market moves for lower interest rates, we see the risk for higher interest rates skewed to the upside and the Fund retains a slightly shorter than benchmark interest rate exposure - predominantly expressed in USD, part offset by a small longer than benchmark exposure to Australasia.



- Effective Cash# 11.69%
- New Zealand Fixed Interest 1.22%
- International Fixed Interest 86.75%
- Other* 0.34%

The actual cash held by the Fund is 8.06%. 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

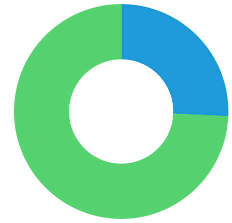
Portfolio Manager: Travis Murdoch & Katlyn Parker

The RBNZ Monetary Policy Review in July saw the OCR increased by 0.5 percentage points to 2.5 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. The market is focused on the upcoming August RBNZ meeting which is very much live for another 0.5 percentage points increase in the OCR. Our base case remains for higher interest rates from here albeit it remains to be seen if current market expectations will be realised if inflation moderates and/or growth slows.

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]



Effective Cash# 25.78%
New Zealand Fixed Interest 74.22%
Other* 0%

The actual cash held by the Fund is 25.78%. 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

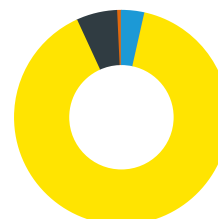
Portfolio Manager: Felix Fok

The Fund rebounded 10.1% in July. Over three years, the Fund is up a cumulative 34.5%, compared to the market index which is up 34.6%.

Positive contributors included, once again, discount retailer Costco (+13.1%). Despite peers lowering profit expectations on heavier markdowns and bloated inventories, the market rewarded high-quality businesses, given slowing economies. Microsoft (+9.3%) traded higher after earnings. Strength in business subscription software products drove the company to forecast double-digit sales and operating profit growth in the coming year. Notably, spending at its cloud computing segment, Azure, was up 40% year-on-year and will likely continue to grow profitably, barring the most severe recessions.

As for detractors, the sole direct Chinese holding Tencent (-13.4%) came under pressure from a weak economy and worries over the negatives of the COVID-Zero policy. Tencent has strong businesses spanning social media, games and video streaming that are likely to weather this storm. Elevance Health (-1.1%) moderated post results, mainly on high investor expectations. Elevance Health has traded up this year as investors favour defensive businesses such as health insurance.

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.



Effective Cash# 3.52%
Listed Property 6.14%
International Equities 89.61%
Other* 0.73%

The actual cash held by the Fund is 4.19%. 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

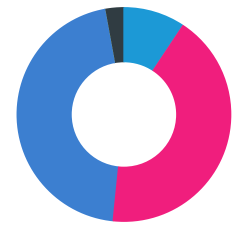
Portfolio Manager: Sam Trethewey

The Fund rallied 5.9% in July. This compares to a 5.7% increase in the NZX 50 and an 5.7% increase in the ASX 200 as local share markets followed a rally in global equity markets.

Performance was led by infrastructure investor Infratil (+9.1%) and biotech company Neuren (+48.4%). Infratil portfolio company Vodafone NZ announced the sale of its mobile tower business at a premium valuation. The transaction highlights the continued strong demand for quality infrastructure assets which is supportive of Infratil's share price. Neuren announced the submission of an application for their key drug Trofinetide to the US regulator which appears likely to be the first approved treatment for Rett Syndrome. Over the month we added to our holdings in Auckland Airport and ResMed and reduced CSL into strength.

Looking ahead, the short term is likely to remain volatile. We expect the NZ economy to soften in coming months as the RBNZ continues to lift interest rates and inflation pressures become increasingly evident. Australia is facing a similar economic backdrop but with the assistance of elevated commodity prices and relatively more supportive monetary policy. With valuations across the local markets now reflecting materially higher interest rates, investor focus is shifting to earnings and August will see many of our companies report earnings for the past six months. Given this backdrop and our recent channel checks, we expect reported earnings to be robust however outlooks are likely to be cautious. Companies that can provide investors with earnings certainty in their outlook are likely to be rewarded. We have positioned the Fund defensively and away from areas of earnings uncertainty or stretched valuation. Cash is elevated at present however that puts us in a position to take advantage of stock opportunities as they occur.

Actual investment mix[1]



The actual cash held by the Fund is 10.03%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

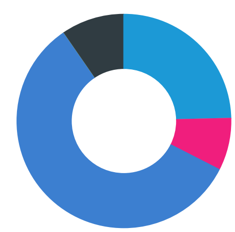
Dynamic Fund

Portfolio Manager: William Curtayne & Michael Higgins

Global equity markets bounced in July on the prospect of peak inflation, peak interest rates and a benign US reporting season. The Dynamic Fund returned 8.5% for the month, behind the S&P/ASX Small Ordinaries which rallied 11.5%. While our cautious positioning provided a degree of cash performance drag, we were very pleased to largely keep up with the index with a far less risky portfolio.

Performance was led by Neuren Pharmaceuticals, which rallied 48.4% following the submission of Phase III trial results to the FDA. Investment platform HUB24 was a large contributor for the month (+20.2%). Sustained inflows strengthen our view that HUB are a structural winner as financial advisors migrate away from the major banks. Carsales (+12.3%) rallied following the completion of its buyout of RV and commercial vehicle marketplace Trader Interactive. Detractors included oil refiner and convenience retailer Viva Energy (-8.0%).

We remain cautiously positioned having prioritised liquidity, and higher quality defensive stocks. From our perspective, medium term consensus margin expectations remain optimistic given a backdrop of rising inflation and softening consumer demand. As we await more comfort on the economic outlook, we continue to build out a long shopping list of growth businesses to add to the portfolio once they reach more compelling prices in the coming months.



The actual cash held by the Fund is 26.14%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

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

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

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*	2.54%	-4.47%	1.67%	3.72%	4.63%	1.1647	584.4 M
Diversified Income Fund*	3.16%	-0.57%	3.38%	5.90%	9.62%	1.8390	2,814.6 M
Balanced Fund	4.15%	-1.74%	6.51%	7.82%	9.23%	2.8471	1,626.4 M
Active Growth Fund	5.16%	-3.56%	7.96%	9.73%	11.75%	4.8237	2,655.4 M
Australian Absolute Growth Fund	3.27%	4.32%	9.79%	—	9.52%	1.4867	580.1 M
Aggressive Fund	6.87%	-6.55%	—	—	-3.08%	.9644	907.3 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	2.21%	-6.62%	-0.28%	2.10%	3.70%	1.1056	1,180.0 M
Global Corporate Bond Fund*^	3.19%	-6.74%	0.45%	2.01%	2.64%	1.0198	432.9 M
Cash Fund	0.20%	1.13%	0.89%	—	1.03%	1.0358	295.2 M
Equity Funds							
Global Equity Fund†	10.09%	-9.36%	10.38%	10.18%	8.96%	2.1952	392.4 M
Trans-Tasman Equity Fund*	5.85%	-7.25%	6.58%	11.14%	10.82%	3.6397	723.9 M
Dynamic Fund#	8.48%	-7.78%	10.00%	12.28%	11.96%	2.6782	676.9 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)	5.77%	-8.08%	2.63%	9.28%	11%
S&P/ASX 200 Accumulation Index (AUD)	5.75%	-2.17%	4.27%	8.03%	7.1%
S&P/ASX 200 Accumulation Index (NZD)	6.37%	3.35%	6.49%	8.98%	7.2%
MSCI World Index (local currency)*	7.98%	-5.64%	10.28%	9.62%	8.86%
MSCI World Index (NZD)*	7.03%	1.11%	11.46%	12.77%	9.33%
S&P/NZX 90-Day Bank Bill Rate	0.21%	1.02%	0.8%	1.26%	1.61%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	2.55%	-7.77%	-0.55%	1.6%	2.02%
S&P/NZX NZ Government Bond Index	2.87%	-8.73%	-2.25%	1.11%	1.77%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	20/10/2022
Diversified Income Fund	1.1 cents (Quarterly)	18/08/2022
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	15/09/2022
Global Corporate Bond Fund	0.45 cents (Quarterly)	15/09/2022
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 1.50%	NZGBI 2% 2025 3.31%	Contact Energy 2.20%
NZLGFA 1.5% 2026 1.32%	Contact Energy 1.97%	NZGBI 2% 2025 1.35%
NZLGFA 2.25% 2024 1.21%	Goodman 1.62%	HCA Holdings 1.23%
NZGBI 2% 2025 1.20%	Getlink 1.59%	Boston Scientific 0.96%
NZLGFA 4.5% 2027 0.93%	Telstra 1.21%	Natwest 0.92%
Genesis 5.66% 2027 0.87%	Transurban 1.13%	Charter Hall Retail 0.91%
NZLGFA 2.25% 2031 0.87%	Scentre Group 5.125% 2080 1.08%	Microsoft 0.84%
CBA 2.552% 2027 0.84%	NAB 1.06%	Goodman 0.84%
Monash University 4.05% 2029 0.84%	Charter Hall Retail 1.06%	Elevance Health 0.83%
John Deere 1.75% 2024 0.71%	Santos 0.99%	Bristol-Myers Squibb 0.82%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Contact Energy 3.76%	CSL 6.66%	Microsoft 2.69%
Shell 2.41%	Telstra 5.36%	Boston Scientific 2.66%
JPMorgan 2.38%	Contact Energy 3.96%	Shell 2.46%
CRH 2.18%	Resmed 3.85%	Elevance Health 2.26%
Virgin Money 2.08%	Vifor Pharma 3.50%	Alphabet 2.14%
HCA Holdings 1.88%	Coles 2.74%	Aon 2.11%
Microsoft 1.84%	Metcash 2.74%	Bristol-Myers Squibb 2.05%
Natwest 1.79%	HCA Holdings 2.07%	Analog Devices 1.86%
NatWest 5.125% Perpetual 1.76%	Suncorp Group 1.98%	Danaher 1.71%
Boston Scientific 1.63%	Neuren Pharmaceuticals 1.68%	Intuit 1.66%

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 3.56%	Becton Dickinson Euro 0.334% 2028 2.61%	Westpac 45 Day WND 16.40%
NZLGFA 1.5% 2026 3.14%	John Deere 1.75% 2024 2.47%	Auckland Airport CD 2022 5.05%
NZLGFA 2.25% 2024 2.87%	CSL 3.85% 2027 2.25%	ASB 1.99% 2022 4.08%
NZLGFA 4.5% 2027 2.21%	JPMorgan 1.578% 2027 2.20%	Kiwibank 2.7% 2022 3.41%
NZLGFA 2.25% 2031 2.08%	AT&T 1.65% 2028 2.15%	Heartland CD 2022 3.38%
Monash University 4.05% 2029 1.99%	HCA 5.875% 2026 1.95%	Auckland Airport CD 2022 3.37%
Genesis 5.66% 2027 1.72%	RBLN 2.75% 2024 1.91%	SBS CD 2022 3.02%
Housing NZ 3.36% 2025 1.55%	CBA 2.552% 2027 1.84%	Port of Tauranga CD 2022 2.70%
Spark 4.37% 2028 1.46%	Asciano 4.75% 2028 1.80%	Contact CD 2022 2.69%
NZLGFA 1.5% 2029 1.46%	Magallanes 3.755% 2027 1.80%	Mercury CD 2022 2.69%

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).

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Microsoft 4.53%	CSL 5.41%	Contact Energy 4.34%
Alphabet 4.31%	CBA 5.17%	Collins Foods 4.12%
Costco 3.40%	Infratil 4.87%	Carsales.Com 4.01%
Mastercard 3.18%	Fisher & Paykel 4.59%	IPH 3.98%
Aon 2.46%	NAB 4.27%	Metcash 3.15%
SBA Comms. 2.44%	BHP 4.06%	Resmed 2.94%
Intercontinental Exchange 2.31%	Contact Energy 3.76%	oOh!media 2.84%
Danaher 2.30%	EBOS Group 3.72%	HUB24 2.54%
Constellation Software 2.26%	Auckland Airport 3.62%	Waypoint REIT 2.50%
Thermo Fisher 2.26%	Mainfreight 3.39%	Macquarie Telecom Group 2.38%

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 $34.9 million invested across our Investment Funds as at the end of July 2022.

Stephanie Batchelor
Senior Investment Analyst

Investment Highlight: Intuit

The 'Xero' of the US

Intuit is the dominant player in accounting and finance software for small businesses and consumers in the United States. The success of this $114bn company can in part be attributed to our very own home-grown Xero (despite Xero being less than 1/10th the size).

Intuit was founded in 1983 and shook up the financial software world by launching Quicken, which developed over time into a comprehensive desktop solution for accountants. However, in the early 2000's, the migration of data to the cloud and the rapid rise of smartphones were changing how small business owners wanted to use technology. Xero spotted this "once-in-a-lifetime land grab" opportunity to get data off PCs and into the cloud and launched its cloud accounting software in 2006. To avoid being disrupted, Intuit was forced to reinvent itself and become a cloud software player too.

Fast forward to today, Intuit has established itself as the clear leader in each of its business segments:

QuickBooks
- The flagship product of Intuit: a small business and self-employed accounting software available via desktop or cloud.
- Intuit has a roughly 80% share of US Small and Medium Businesses (SMBs) that use accounting software, but a long runway for growth remains, supported by low penetration of accounting software use among SMBs. Intuit has just 8m customers, out of roughly 63m SMB and self-employed customers in the US (as well as a global opportunity).

TurboTax
- Tax preparation software to assist customers filing federal and state income tax returns.
- The US tax industry is split into DIY (46%) and Assisted e.g. professionals and tax stores (54%). TurboTax has a leading market share in the DIY segment (roughly 66%) and is beginning to make headway in the Assisted category via its 'Live' offering.

Credit Karma
- The leading personalised pre-approved loan platform, connecting 110m customers to financial institutions offering credit cards, loans, and insurance.

Across these segments, Intuit is realising synergies and becoming more of an ecosystem where products and data interact to provide additional benefits to both businesses and consumers.

Laser Focused on Solving Customer's Largest Pain Points
Intuit CEO, Sasan Goodarzi, believes that "in order to win, we must be far more customer-obsessed." Customer-driven innovation requires every Intuit employee to look for new and better ways to improve customers' lives – the focus is always on the problem, not the solution. In turn, this helps to increase product 'stickiness', reduce churn, and drive up the average price per subscriber as additional services (payroll, payment processing etc.) are added to its suite.

For example, two thirds of small businesses say their biggest challenge is attracting customers. In response, Intuit acquired MailChimp which provides marketing solutions for SMBs to attract and retain customers. This was the missing link for Intuit to become a one-stop shop, enabling customers to run their entire business on Intuit's platform.

Recession Resilience?
Intuit believes it should remain well placed in a softer macroeconomic environment:

Accounting software is mission critical for small business. The pandemic also taught businesses the importance of digitalisation to remain nimble and competitive.

- Benjamin Franklin once said, "in this world, nothing is certain except death and taxes", leaving Intuit well-placed to deliver on the second part of that statement with its TurboTax product.
- Credit Karma is also well positioned because in tougher economic times, demand for credit increases as consumers look to bridge the gap between income and spending. In addition, financial institutions tend to look for higher quality credit customers, which Credit Karma's extensive dataset can help provide.

Intuit shares have de-rated this year on the back of higher market interest rates and the rotation out of growth stocks, whereas the underlying fundamentals of the business remain strong. We believe the duration of Intuit's growth is underestimated by the market, and we expect Intuit's shares to appreciate over time as management continue to execute on the sizeable opportunity ahead.