Milford KiwiSaver Plan
Monthly Review November 2022

Opportunity knocks

Fund performance was broadly positive in October, building on the positive returns seen since mid-year. This performance has come despite ongoing weakness in financial markets over the past few months.

October returns were boosted by strong returns from our key stock picks. The global healthcare and energy sectors have been key areas for investment this year. October's earnings releases saw healthcare stocks deliver strong stock price gains, with notable performances from Elevance Health (+20.4%), HCA Healthcare (+18.3%) and Intuitive Surgical (+31.5%). The energy sector also continued its strong year to date performance, with returns from EOG Resources (+22.9%) and Occidental (+18.1%) also helping performance. Technology stocks have been weak this year and our decision to reduce exposure to companies such as Amazon (-9.3%) and Alphabet (-1.5%) was validated as earnings released from these companies in the month disappointed expectations.

Australian shares also had a good month, with the large cap market up 6%. NZ shares were more muted in comparison but still delivered modest gains.

Our bond funds have weathered the generational bond bear market this year and delivered positive returns in October, helped by the more attractive yields now on offer.

Ten months into a protracted negative return period in bonds and shares, many are asking when will this be over? The honest answer is we don't know, there are a range of potential outcomes. We are monitoring the signals closely. We think the risks still skew to the downside, hence our cautious positioning where we own less shares than we otherwise would. We think this is a prudent approach, but this prudence is tempered by a growing set of investment opportunities.

Valuation starting points now for bonds and shares are broadly more attractive than at any point since the global financial crisis. This augurs well for longer-term returns. Yields available on much of the bond universe are higher than at any time since 2009. Share market valuations have fallen, but more importantly there are a large number of themes such as climate change and deglobalisation that offer up a vast array of durable investment opportunities for us to tap into.

Milford Asset Management
Level 28, 48 Shortland Street, Auckland, 1010
Phone: 0800 662 346
Email: Info@milfordasset.com
milfordasset.com

MILFORD
INVESTED IN YOU

KiwiSaver Conservative Fund

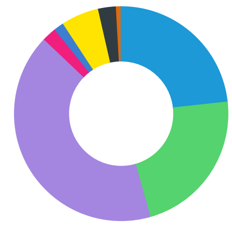
Portfolio Manager: Mark Riggall

The Fund returned 0.7% in the month bringing the one-year return to -4.6%. The Fund has delivered positive returns since mid-June, helped by rising share markets (notably in Australia), and a weaker NZ Dollar that has cushioned some of the weakness in US shares.

Bond markets continue to sell-off, but our income portfolios have been aided by the higher yields we now earn on our bond holdings. We continue to think that the risks for shares skew to the downside, based on relative attractiveness vs other assets such as bonds, but also a wariness about the economic impact of the global interest rate rises. This means we continue to hold a reduced position in shares at around 10% of the Fund. Furthermore, we have been diversifying the Fund's share exposure by investing in the Milford Active Growth Fund, an absolute return fund that can capture upside but cushion the downside in shares.

Corporate bonds are currently offering attractive yields, with hold to maturity yields of between 5 and 10%. We will be looking to patiently increase our exposure to these assets in the coming months. The attractive yields on offer bode well for the longer-term return outlook for the Conservative Fund.

Actual investment mix[1]



- Effective Cash# 23.28%
- New Zealand Fixed Interest 22.37%
- International Fixed Interest 41.41%
- New Zealand Equities 2.17%
- Australian Equities 1.51%
- International Equities 5.68%
- Listed Property 2.69%
- Other* 0.89%

The actual cash held by the Fund is 13.54%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

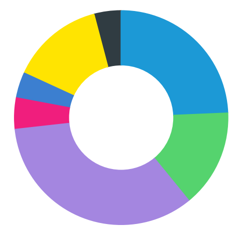
KiwiSaver Moderate Fund

Portfolio Manager: Mark Riggall

The Fund returned 1.5% in the month bringing the one-year return to -4.4%. The Fund has delivered positive returns since mid-June, helped by rising share markets (notably in Australia), and a weaker NZ Dollar that has cushioned some of the weakness in US shares.

Bond markets continue to sell-off, but our income portfolios have been aided by the higher yields we now earn on our bond holdings. We continue to think that the risks for shares skew to the downside, based on relative attractiveness vs other assets such as bonds, but also a wariness about the economic impact of the global interest rate rises. This means we continue to hold a reduced position in shares at around 26% of the Fund. However, we maintain conviction in the shares that we do own and some of these delivered strong returns in October, for example Elevance Health (+20.4%) and EOG Resources (+22.9%).

Corporate bonds are currently offering attractive yields, with hold to maturity yields of between 5 and 10%. We will be looking to patiently increase our exposure to these assets in the coming months. The attractive yields on offer bode well for the longer-term return outlook for the Moderate Fund.



- Effective Cash# 24.33%
- New Zealand Fixed Interest 14.77%
- International Fixed Interest 34.13%
- New Zealand Equities^ 4.73%
- Australian Equities 3.88%
- International Equities 14.04%
- Listed Property 4.02%
- Other* 0.10%

The actual cash held by the Fund is 12.37%. 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 0.08% *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.

KiwiSaver Balanced Fund

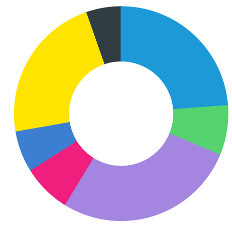
Portfolio Manager: Mark Riggall

The Fund returned 2.2% in the month bringing the one-year return to -4.6%. The Fund has delivered positive returns since mid-June, helped by rising share markets (notably in Australia), and a weaker NZ Dollar that has cushioned some of the weakness in US shares. Bond markets continue to sell-off, but our income portfolios have been aided by the higher yields we now earn on our bond holdings. This all serves to illustrate the benefits of a diversified portfolio, coupled with an active approach that can tilt the Fund appropriately, given the outlook.

We continue to think that the risks for shares skew to the downside, based on relative attractiveness vs other assets such as bonds, but also a wariness about the economic impact of the global interest rate rises. This means we continue to hold a reduced position in shares at around 40% of the Fund. However, we maintain conviction in the shares that we do own and some of these delivered strong returns in October, for example Elevance Health (+20.4%) and EOG Resources (+22.9%).

Corporate bonds are currently offering attractive yields, with hold to maturity yields of between 5 and 10%. We have been patiently building exposure in this space for the past few months and the Fund now holds around 36% in bonds, 4% above neutral and over 10% more than we held at the start of the year.

Actual investment mix[1]



- Effective Cash# 23.81%
- New Zealand Fixed Interest 7.50%
- International Fixed Interest 27.39%
- New Zealand Equities† 7.30%
- Australian Equities 6.24%
- International Equities 22.39%
- Listed Property 5.37%
- Other* 0%

The actual cash held by the Fund is 9.61%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

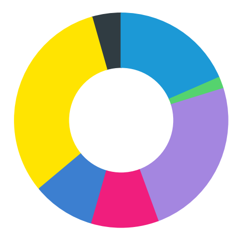
KiwiSaver Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund rose 3.4% during October benefitting from a strong rebound in share market indices; New Zealand (+2.5%), Australia (+6.0%) and global (+7.1%). Share markets rebounded after sharp falls in September as investors became less risk averse and looked to take advantage of lower valuations. Relatively cautious positioning meant the Fund did not match share market returns, but good company selection meant returns were not far behind. Strong returns from fixed income were also helpful for performance.

There were some very strong company performances during the month including US Bank JP Morgan (+20.5%), US health insurer Elevance (+20.4%) and US payments company Visa (+16.6%). JP Morgan is benefitting from rising interest rates which allow it to increase its margins. We believe JP Morgan is very well managed and is in a strong position to manage a more difficult economic environment. Elevance reported earnings growth of 10.9%, driven by increased membership and rising premiums. Visa reported strong earnings growth of 19% and benefitted from strong payments volumes and a return to cross border travel (+49%) where it makes higher margins.

Looking forward, the outlook for shares remains uncertain with higher inflation and higher interest rates likely to slow economic growth and company earnings prospects. The positive is that lower valuations on shares and higher returns on fixed income securities boost future return prospects. Within shares we continue to believe that there remain attractive opportunities for active management, with some shares reflecting a more difficult environment than others. Given the uncertain environment, the Fund has a lower weight towards shares and a higher weight towards company bonds (fixed income). We believe yields on select fixed income investments offer attractive returns with relatively low risk versus shares.



- Effective Cash# 18.48%
- New Zealand Fixed Interest 1.76%
- International Fixed Interest 24.16%
- New Zealand Equities‡ 10.05%
- Australian Equities 9.49%
- International Equities 31.63%
- Listed Property 4.43%
- Other* 0%

The actual cash held by the Fund is 9.46%. 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 0.13% ‡Includes unlisted equity holdings of 0.48%

*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.

KiwiSaver Aggressive Fund

Portfolio Manager: Stephen Johnston

The Fund gained 4.3% in October. Despite the uncertain backdrop, share markets globally rebounded strongly in October.

In our international portfolio, our healthcare holdings continue to be a bright spot, posting strong returns in October. Healthcare is one of our favoured sectors, offering attractive valuations and compelling long-term growth opportunities, benefitting from the rapidly ageing global population.

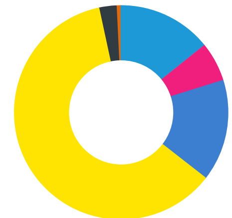
The top contributor in October was US health insurer Elevance (+20.4%). Business fundamentals remain strong at Elevance with strong growth in members. Given its defensive business model, its earnings can still grow even in a recessionary environment. US private hospital HCA (+18.3%) also outperformed in October, after reporting solid third quarter earnings. We remain constructive on HCA, given its dominant market position in key states and a strong management team. Medical devices company Boston Scientific (+11.3%) posted strong gains, benefitting from strong procedure volume growth, as we come out of the pandemic. We added to our position in October.

Underperformers in October were predominately large cap technology stocks, as third quarter earnings disappointed. Both Amazon (-9.3%) and Meta (-31.3%) were a drag on performance in October. We are currently reviewing both positions to ensure our long-term investment thesis is still intact.

Closer to home, Australasian markets bounced back in October. Australian miner IGO (+11.6%), continued its terrific run. IGO is a key beneficiary of one of the strongest trends globally, the transition to electric vehicles. In the NZ market, Mainfreight (+12.8%) bounced back from a weak September, after providing a solid first half trading update, with management upbeat about the outlook.

Looking ahead, the economic outlook remains uncertain, and we will retain higher levels of cash, until we see a sustained decline in inflation.

Actual investment mix[1]



- Effective Cash# 14.24%
- New Zealand Equities 5.93%
- Australian Equities 15.37%
- International Equities 61.08%
- Listed Property 2.62%
- Other* 0.76%

The actual cash held by the Fund is 14.20%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

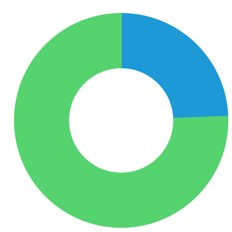
KiwiSaver Cash Fund

Portfolio Manager: Katlyn Parker

In October, the Fund generated a return of 0.3%, in line with its objective to deliver a return in excess of the Reserve Bank of New Zealand (RBNZ) Official Cash Rate (OCR) after fees.

The RBNZ Monetary Policy Review in October saw the OCR increased by 0.5 percentage points to 3.5 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. Our base case remains for higher interest rates from here, albeit as it stands, elevated market expectations seem higher than what may 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, to protect capital.



- Effective Cash# 24.40%
- New Zealand Fixed Interest 75.60%
- Other* 0%

The actual cash held by the Fund is 24.40%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

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

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

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
KiwiSaver Conservative Fund	0.69%	-4.61%	0.85%	2.88%	6.66%	1.8824	202.4 M
KiwiSaver Moderate Fund	1.52%	-4.44%	—	—	5.53%	1.1467	106.9 M
KiwiSaver Balanced Fund	2.16%	-4.56%	5.62%	6.70%	9.16%	2.8868	967.2 M
KiwiSaver Active Growth Fund^	3.38%	-6.67%	7.13%	8.44%	11.61%	4.8584	3,222.0 M
KiwiSaver Aggressive Fund	4.33%	-9.84%	9.42%	—	9.12%	1.3222	818.9 M
KiwiSaver Cash Fund	0.30%	1.82%	—	—	0.94%	1.0247	106.5 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance.
Performance figures are after total Fund charges have been deducted and at 0% PIR.
Please note past performance is not a guarantee of future returns.
Inception dates for the Funds: KiwiSaver Active Growth Fund: 1 October 2007, KiwiSaver Balanced Fund: 1 April 2010, KiwiSaver Conservative Fund: 1 October 2012, KiwiSaver Aggressive Fund: 1 August 2019, KiwiSaver Cash Fund: 27 March 2020, KiwiSaver Moderate Fund: 27 March 2020.
^This is based on the performance of the AonSaver AMT Milford Aggressive Fund until 31 March 2010 and the Milford KiwiSaver Active Growth Fund from 1 April 2010.

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)	2.46%	-12.7%	2.38%	7.71%	10.58%
S&P/ASX 200 Accumulation Index (AUD)	6.04%	-2.01%	4.82%	7.18%	8.26%
S&P/ASX 200 Accumulation Index (NZD)	2.74%	2.82%	5.7%	6.84%	8.93%
MSCI World Index (local currency)*	7.14%	-14.2%	7.56%	7.4%	8.49%
MSCI World Index (NZD)*	4.36%	0.42%	9.66%	9.94%	10.17%
S&P/NZX 90-Day Bank Bill Rate	0.3%	1.69%	0.94%	1.32%	1.61%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-0.34%	-12.1%	-3.12%	0.16%	1.02%
S&P/NZX NZ Government Bond Index	0.93%	-6.94%	-3.82%	0.14%	1.12%

*With net dividends reinvested

Milford KiwiSaver plan is the proud winner of multiple awards:

consumer. PEOPLE'S CHOICE Milford KiwiSaver Plan

CANSTAR PROVIDER OF THE YEAR KIWISAVER 2020 - 2022

CANSTAR OUTSTANDING VALUE KIWISAVER SCHEME 2020 - 2022

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

KiwiSaver Conservative Fund	KiwiSaver Moderate Fund	KiwiSaver Balanced Fund
NZLGFA 1.5% 2026 1.23%	Contact Energy 1.48%	Contact Energy 2.20%
NZGBI 2% 2025 1.18%	NZGBI 2% 2025 1.25%	NZGBI 2% 2025 1.34%
NZLGFA 2.25% 2024 1.15%	Elevance Health 0.95%	Elevance Health 1.31%
NZLGFA 4.5% 2027 0.85%	HCA Holdings 0.89%	HCA Holdings 1.30%
CBA 6.86 2032 0.80%	Boston Scientific 0.76%	Boston Scientific 1.17%
NZLGFA 2.25% 2031 0.79%	NZLGFA 1.5% 2026 0.71%	Santos 1.01%
Contact Energy 0.78%	Santos 0.69%	Telstra 0.92%
NZLGFA 2.25% 2028 0.78%	NZLGFA 2.25% 2024 0.67%	Natwest 0.91%
Monash University 4.05% 2029 0.76%	Telstra 0.65%	Bristol-Myers Squibb 0.91%
ANZ Float 2027 0.71%	CBA 6.86 2032 0.64%	Charter Hall Retail 0.87%

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).

KiwiSaver Active Growth Fund	KiwiSaver Aggressive Fund	KiwiSaver Cash Fund
Contact Energy 3.67%	Boston Scientific 2.87%	Westpac 45 Day WND 14.75%
Shell 2.84%	Elevance Health 2.56%	Auckland Airport CD 2023 5.05%
JPMorgan 2.32%	Shell 2.52%	Mercury CD 2023 3.54%
Boston Scientific 2.13%	HCA Holdings 2.24%	Port of Tauranga CD 2022 3.17%
CRH 2.05%	Bristol-Myers Squibb 2.01%	Fonterra CD 2022 3.05%
HCA Holdings 1.87%	Microsoft 1.97%	SBS CD 2023 2.77%
Natwest 1.77%	Charles Schwab 1.80%	Fonterra CD 2022 2.55%
NatWest 5.125% Perpetual 1.77%	EOG Resources 1.76%	Heartland CD 2022 2.54%
Santos 1.64%	Intuit 1.75%	Spark CD 2022 2.53%
Virgin Money 1.54%	Aon 1.75%	Auckland Airport CD 2022 2.53%

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 staff have approximately $17.9 million invested in the Milford KiwiSaver Plan as at the end of October 2022.

Michael Higgins
Portfolio Manager

Investment Highlight: Intellectual Property Holdings

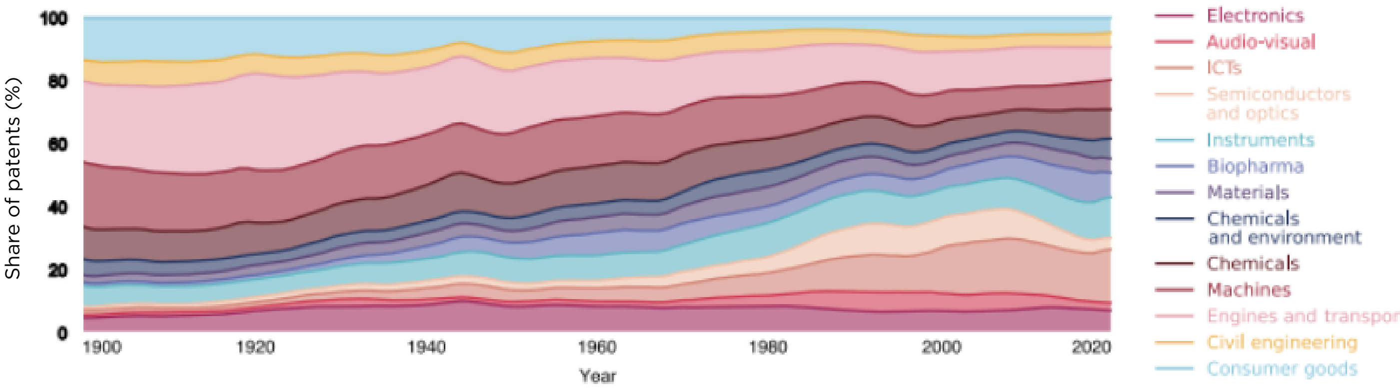
Betting on innovation

The world is at the start of a promising new chapter of innovation that will no doubt transform the global economy. Digital technologies such as artificial intelligence, big data, cloud computing and the internet of things are booming. Our challenge as investors is to discover the most promising of these companies, avoiding the many with unrealistic ambitions and business models.

While we are busy trying to find the next 'unicorn' (a term used for companies that grow rapidly to a $1b+ valuation) to add to the portfolio, we're currently invested in a company that is also a beneficiary of technological innovation, albeit with less glamour. IPH, or Intellectual Property Holdings is one of the leading Intellectual Property (IP) firms in the Asia Pacific region. It provides services for the protection, commercialisation and enforcement of all forms of IP including patents, trademarks and designs. IPH operates across nine jurisdictions in APAC and North America, servicing more than 26 countries across the region.

The demand for patents is leveraged to innovation and over time, irrespective of changing world powers and geopolitical events, innovation has remained constant. Whether it was the invention of the steam engine, the combustion engine, the 1930s pharmaceuticals boom or the internet revolution of the 90s and 2000s, we have experienced and should continue to expect significant innovation. The more innovation, the more patents are required to be filed and the more firms like IPH benefit.

A century's shift from engines toward ICT innovation
Shares of patents by technological field, 1900-2020



Source: European Patent Office (EPO) Worldwide Patent Statistical Database (PATSTAT, October 2021).

There are a number of other attractive characteristics underpinning our investment view on IPH:

i) **A diverse top tier client base with established long-term relationships.** Of the top 35 clients for the group, all had been clients for more than 10 years. Helping to ensure a diversified client base, no single client represents more than 3% of IPH's revenue.

ii) **Incredibly cash generative.** The nature of IPH's billing cycle (a large number of relatively low value invoices) results in low working capital requirements and high cashflow conversion.

iii) **Leveraged to a falling Australian Dollar.** With 80% of the revenue base in currencies other than Australian Dollars, IPH's profits are highly leveraged to a falling Australian Dollar.

iv) **Upside from acquisitions.** The recent acquisition of the leading Canadian IP firm Smart & Biggar unlocks a new region. Smart & Biggar was founded in 1890, and files over 6,000 patents a year. We believe there is a considerable scope for consolidation in Canada given a highly fragmented market consisting of a long tail of smaller/mid-sized firms.

IPH has superior financial characteristics to peers which include high margins, a capital light balance sheet, strong cashflows and M&A opportunities. We believe the outlook is bright for IPH, and the share market is in the process of recognising the opportunity.

Milford KiwiSaver Plan wins Canstar Awards for the third year running!

Chevonne Groenewald
KiwiSaver Associate

We are pleased to announce that the Milford KiwiSaver Plan has been awarded the **Canstar KiwiSaver Provider of the Year** award and **Outstanding Value KiwiSaver Scheme Award** for 2022.

In what has been a volatile period for investors, this independent recognition confirms our position as a market-leading KiwiSaver provider for the third year in a row.

The award for Provider of the Year is given to the provider that demonstrates outstanding value and investment performance across all three core funds (Conservative, Balanced and Growth) over the past five years. Milford was awarded the top level of five stars for each of our funds in these categories.

The Outstanding Value KiwiSaver Scheme Award compares cost, features, and performance across the same core KiwiSaver categories over the past five years. Winning this award demonstrates Milford's outstanding value across all three funds, compared against a field of 128 funds from 18 KiwiSaver providers.

While 2022 has been a bumpy road for KiwiSaver investors, Milford continues to partner with, and provide strong support to, our members.

If you want to check on your KiwiSaver investment, you can access a range of information and tools via our Client Portal or the Milford App. These digital tools are a great way to help you stay on top of your savings goals, check your KiwiSaver balance and see the companies you are invested in.

If you want to check you are in the right fund for your goals and risk appetite, Digital Advice can be accessed easily via your Client Portal or Mobile App. For a more personal touch, you can also request a call back from one of our KiwiSaver Advisers by emailing kiwisaveradvice@milfordasset.com

Our livestream events, featuring Milford's team of experts, are another excellent source of information on KiwiSaver and the wider investment markets.

Otherswise if you have general questions call 0800 662 346 and one of our team will be happy to help. You can also email us at info@milfordasset.com