Milford KiwiSaver Plan
Monthly Review January 2023

The land of opportunity

Sticking to the script of 2022, December offered up surprises to keep investors on their toes right up to the end of the year. Whilst share markets were weaker, Milford's diversified funds held on to the majority of their gains of the past few months.

The story of 2022 was the determination of central banks to fight inflation by hiking interest rates significantly. In December, given the large rise in interest rates thus far, coupled with evidence that inflation is indeed slowing, investors had expected central banks to let up on their aggressive hiking intentions. Indeed, whilst the pace of interest rate hikes in the US, Europe and UK did slow to 0.5% increases, central banks surprised markets by indicating that interest rates will have to rise further and stay there for longer.

Whilst more aggressive central bank action doused Christmas spirit in the share markets, we expect investors to start looking beyond central bank actions as we move into 2023. In coming months we will find out how much higher interest rates are already impacting the economy. Furthermore, we will learn how company profits are faring in an environment where wage costs are elevated and companies' ability to raise prices is becoming tougher.

The turn of the year usually elicits contemplation about the future. However, the future continues to look highly uncertain with a wide range of outcomes that would render any predictions quickly obsolete. Widely held expectations of recession and weaker profits seem logical to us, but we continue to be surprised at how resilient the global economy has been to the shocks of the past year. With risks skewed to the downside, our defensive investment positions remain appropriate. In the past month we have reduced our exposure to the NZ dollar; recent strength is at odds with a weaker relative outlook for our domestic economy.

Higher interest rates will help deliver stronger returns from our cash and bond investments going forward. Although the outlook for shares is more mixed, as active managers we relish the challenge of finding those diamonds in the rough that often emerge in times like these.

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

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KiwiSaver Conservative Fund

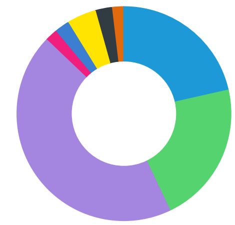
Portfolio Manager: Mark Riggall

The Fund returned -0.4% in December, bringing the one year return to -4.4%. The Fund's majority exposure to cash and bonds (close to 90% of investments) is providing positive incremental returns as well as insulating the Fund from share markets that were generally weaker in December. This meant that the Fund preserved much of the modest gains of the past six months.

Central banks around the world slowed the pace of rate hikes in December, but surprised markets with their message of higher interest rates for longer. This backdrop of higher interest rates will be a headwind to the economy and financial markets for the foreseeable future. But higher rates also deliver much better returns on cash and bond investments which means the outlook for returns is improving despite the forecasts for recession in NZ and abroad.

For the lower risk Fund, this means maintaining a reduced exposure to risky shares whilst also looking for opportunities to profit from repositioning the Fund. For example, the past few months have seen a strong run up in the NZ dollar. We think this is at odds with the relatively weaker outlook for the NZ economy and so the Fund has been increasing its foreign currency exposure accordingly. Whatever surprises 2023 has in store, we continue to look for profitable investments to help deliver strong, long-term returns.

Actual investment mix[1]



- Effective Cash# 21.47%
- New Zealand Fixed Interest 21.47%
- International Fixed Interest 44.18%
- New Zealand Equities 1.85%
- Australian Equities 2.25%
- International Equities 4.43%
- Listed Property 2.48%
- Other* 1.87%

The actual cash held by the Fund is 10.83%. 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 -0.6% in December, bringing the one year return to -5.3%. Although share markets were generally weaker in December, the Fund's defensive positions (much less exposure to shares, offset by higher bond and cash investments) meant that much of the gains of the past six months were preserved.

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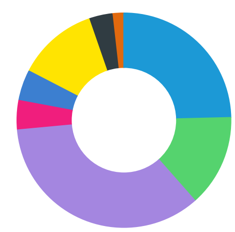
Ongoing uncertainty regarding the outlook demands a flexible approach, and market volatility provides opportunities to reposition the Fund. For example, the past few months have seen a strong run up in the NZ dollar. We think this is at odds with the relatively weaker outlook for the NZ economy and so the Fund has been increasing its foreign currency exposure accordingly. The Fund also further reduced exposure to shares, taking advantage of market strength in November. This helped cushion against the falls seen into year end. Whatever surprises 2023 has in store, we continue to look for profitable investments to help deliver strong, long-term returns.



- Effective Cash# 24.62%
- New Zealand Fixed Interest 13.86%
- International Fixed Interest 35.05%
- New Zealand Equities^ 4.41%
- Australian Equities 4.64%
- International Equities 12.10%
- Listed Property 3.53%
- Other* 1.79%

The actual cash held by the Fund is 11.66%. 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 0.07% *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 -0.7% in December, bringing the one year return to -6.1%. Although share markets were generally weaker in December, the Fund's defensive positions meant that much of the gains of the past six months were preserved.

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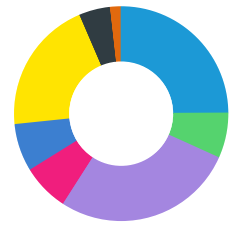
Actual investment mix[1]



The actual cash held by the Fund is 9.17%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

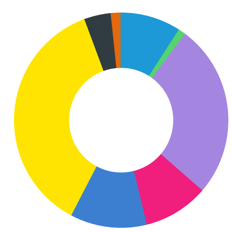
KiwiSaver Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund fell 1.5% during December as a result of falls in major share market indices; New Zealand (-0.6%), Australia (-3.2%) and global (-5.1%). Share markets fell in response to further rate hikes from central banks, with rate rises of 0.5% in the US, UK and Europe. Central banks continued to emphasise their resolve to reduce inflation. The Fund performed considerably better than most market indices due to a more cautious investment stance and strong company selection.

Key positive company performers during the month included Contact Energy (+2.9%), EBOS (+7.2%), Boston Scientific (+2.2%) and AGCO (+4.5%). AGCO is a manufacturer of agricultural equipment including Massey Fergusson and Fendt tractors and sprayers. AGCO rose following an investor update where it provided a positive earnings outlook for 2023 and strong medium-term growth targets. Negative performers for the month were growth and technology companies such as Amazon (-13.0%) and Google (-12.6%), as investors generally reduced growth expectations. We believe whilst facing short-term headwinds, these companies have attractive long-term growth prospects.

Looking forward, the short-term outlook for shares remains highly uncertain, with high inflation and high interest rates likely to slow economic growth and company earnings prospects in 2023. However, following market falls, slower growth is now factored into the valuations of many companies. Higher interest rates also provide a better return outlook for cash and fixed income investments. Given the uncertain environment, the Fund retains a lower weight to shares and higher weight to company bonds (fixed income) than normal. We believe select company bonds offer attractive returns with relatively low risk. Within shares, the Milford team remains active to isolate attractive company investments which have strong medium-term risk and return prospects.



The actual cash held by the Fund is 7.30%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

† Includes unlisted equity holdings of 0.12% ‡ Includes unlisted equity holdings of 0.47%
* 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 fell 3.6% in December. This closed out a difficult year for global share markets which have been impacted by: aggressive actions by central banks which have been hiking interest rates to combat inflation; the war in Ukraine; and the ongoing economic slowdown in China.

In our international portfolio, it was a mixed bag in December, with growth sectors such as technology and consumer discretionary underperforming more defensive sectors like consumer staples and healthcare.

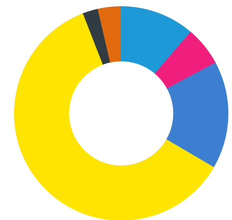
The top contributor in December was the world's largest Coca-Cola bottler, Coca-Cola Europacific Partners (+4.2%). We think the company is well positioned to sustain the improvement in organic revenue growth in 2023 and we expect improved execution at its recently acquired local subsidiary Coca-Cola Amatil. US medical device company, Boston scientific (+2.2%) continued its strong run. Medical procedure volumes at US hospitals have now returned to pre-pandemic levels in most end markets, despite a Covid-19 resurgence. UK bank NatWest (+1.3%), also contributed positively, wrapping up a strong 2022 for the company.

Underperformers in December included two of our stronger 2022 performers, US pharmaceutical company Bristol Myers Squibb (-10.4%) and WillScot Mobile Mini (-6.3%).

Closer to home, iron ore miner Rio Tinto (+6.2%) continued to bounce on optimism of a recovery in Chinese demand. In the NZ market, defensive names Contact Energy (+2.9%) and EBOS (+7.2%) contributed positively. Profit taking impacted Australian miner IGO (-12.6%) in December.

Looking ahead, we expect economic growth to slow impacting company earnings. The good news is inflation has likely peaked and central bank hikes are likely to slow. We continue to find good opportunities, that are geared to our favourite investment themes.

Actual investment mix[1]



The actual cash held by the Fund is 13.23%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

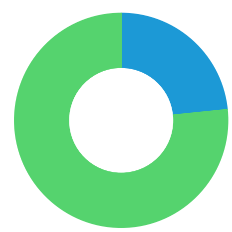
KiwiSaver Cash Fund

Portfolio Manager: Katlyn Parker

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 larger Official Cash Rate (OCR) increases in the near term. The market is currently attaching a significant probability of another 0.75 percentage point OCR increase at the next Reserve Bank of New Zealand meeting in February, when its Monetary Policy Statement (MPS) will be released.

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 could be 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, so as to protect capital.



The actual cash held by the Fund is 23.38%. 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	-0.35%	-4.36%	1.03%	2.91%	6.66%	1.9027	205.1 M
KiwiSaver Moderate Fund	-0.58%	-5.30%	—	—	5.56%	1.1577	113.3 M
KiwiSaver Balanced Fund	-0.67%	-6.08%	5.11%	6.56%	9.10%	2.9101	996.2 M
KiwiSaver Active Growth Fundˆ	-1.50%	-7.91%	6.50%	8.10%	11.55%	4.9083	3,322.1 M
KiwiSaver Aggressive Fund	-3.60%	-13.02%	8.03%	—	8.51%	1.3158	839.8 M
KiwiSaver Cash Fund	0.35%	2.34%	—	—	1.12%	1.0313	114.2 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.
ˆThis 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)	-0.61%	-11.25%	0.64%	7.31%	9.9%
S&P/ASX 200 Accumulation Index (AUD)	-3.21%	-1.08%	5.55%	7.11%	8.43%
S&P/ASX 200 Accumulation Index (NZD)	-3.73%	-0.14%	6.57%	6.57%	8.55%
MSCI World Index (local currency)*	-5.08%	-16.04%	5.76%	6.89%	8.78%
MSCI World Index (NZD)*	-5.97%	-11.39%	7.23%	8.66%	9.76%
S&P/NZX 90-Day Bank Bill Rate	0.35%	2.23%	1.09%	1.38%	1.63%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-1.18%	-11.22%	-2.59%	0.36%	1.24%
S&P/NZX NZ Government Bond Index	-1.49%	-9.14%	-3.5%	-0.27%	1.06%

*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 1.21%	Contact Energy 1.41%	Contact Energy 2.06%
NZGBI 2% 2025 1.20%	NZGBI 2% 2025 1.24%	NZGBI 2% 2025 1.32%
Housing NZ 3.42% 2028 1.17%	Elevance Health 0.88%	HCA Holdings 1.27%
NZLGFA 1.5% 2029 1.09%	HCA Holdings 0.88%	Shell 1.23%
GTA Finance 2.2% 2027 1.02%	Origin Energy 0.87%	Elevance Health 1.22%
CBA 5.398% 2027 0.92%	Shell 0.86%	Origin Energy 1.22%
NZLGFA 4.5% 2027 0.83%	Telstra 0.78%	Telstra 1.08%
Contact Energy 0.80%	NZLGFA 1.5% 2026 0.68%	Santos 0.98%
NAB 4.95% 2027 0.77%	Natwest 0.68%	Boston Scientific 0.98%
NZLGFA 2.25% 2031 0.76%	Housing NZ 3.42% 2028 0.66%	Natwest 0.96%

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 3.36%	Boston Scientific 2.55%	Westpac 45 Day WND 14.17%
Shell 2.30%	Coca-Cola 2.35%	Auckland Airport CP 2023 4.39%
Natwest 1.85%	Elevance Health 2.30%	Auckland Airport CP 2023 3.92%
CRH 1.84%	Shell 2.17%	Heartland CP 2023 3.30%
HCA Holdings 1.83%	HCA Holdings 2.08%	Port of Tauranga CP 2023 3.27%
Boston Scientific 1.81%	Willscot Mobile Mini Holdings 2.00%	Mercury CP 2023 3.08%
NatWest 5.125% Perpetual 1.75%	Microsoft 1.86%	SBS CP 2023 2.85%
Santos 1.52%	Aon 1.76%	Fonterra CP 2023 2.63%
JPMorgan 1.50%	Charles Schwab 1.63%	Fonterra CP 2023 2.63%
Charter Hall Retail 1.32%	Bristol-Myers Squibb 1.53%	Fonterra CP 2023 2.61%

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 approx. $21.9 million invested in Milford's KiwiSaver Plan as of December 2022.

Jeremy Hutton
Investment Analyst

Investment Highlight: Contact Energy

Contact Energy (CEN) is a leading electricity generator and retailer ("Gentailer") listed on the NZX. It is the second largest generator of electricity in New Zealand, with approximately 25% of the market. Contact's generation base is a mix of South Island hydro, North Island geothermal, and North Island gas-fired thermal. The company is also active in the retail electricity and gas markets.

Contact (and the wider energy sector) have an important role to play in the decarbonisation of New Zealand. A core part of Contact's strategy is building new renewable energy to meet growing demand for electricity. This demand is driven by the increasing electrification of carbon intensive industries.

Contact has a significant pipeline of new renewable generation infrastructure to be built, including the sector leading Tauhara Geothermal project in Taupo which is under construction. Once complete Tauhara will deliver 1.4TWh of electricity per year at a total cost of $880m. It is scheduled to deliver its first power in Q2 of 2023.

NZ electricity demand

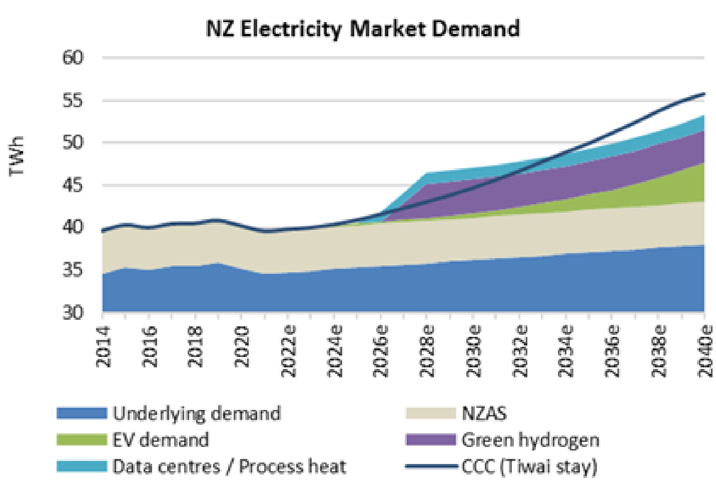
Electricity demand in NZ has been steady for much of the past decade at around 40TWh per year. However, to meet NZ's carbon emission commitments a lot of our industries and households will need to reduce their carbon footprint by transitioning away from fossil fuel power to electricity. According to the NZ Climate Change Commission, demand for electricity in NZ is expected to grow another approximately 20TWh or 50% by 2050. Demand is typically driven by population growth and changes in industrial load like the Tiwai NZAS smelter. In recent years, new demand has arisen from new technology with electric vehicles, data centres, coal boiler substitution, and green hydrogen expected to be large users of electricity.

Decarbonisation challenge

The key challenge for the industry is building the right amount of new renewable generation to meet this demand. We believe Contact is well placed with their significant Geothermal pipeline and strong balance sheet to help fund this development. Contact has 3.0TWh per annum of announced Geothermal projects to be delivered this decade. Fortunately, geothermal is not experiencing the same global supply chain constraints experienced by solar panels and wind turbines currently.

Outlook

Contact Energy is a core holding in many of the Milford funds. We are supportive of their new generation build pipeline and their contribution to helping NZ decarbonise. The sector is entering an exciting new phase and market tailwinds should add to growth for Contact Energy over the long term. By its nature as a utility and provider of critical services Contact has defensive qualities that we like which gives the stock good risk-return dynamics.



Source: Milford analysis, NZ Climate Change Commission

A photo from a Milford trip to the Tauhara Geothermal field. This is piping that takes steam from the drill well to the generation turbine hall to create electricity.

It's not too late to make a new year's resolution that you stick to

Eachann Bruce
Financial Adviser

Many of us kick off each new year with a list of resolutions we know we probably won't stick to. Whether it be to exercise more, take up a new hobby or save a few more dollars – as the year rolls by and we get back into our busy daily routines, these best intended goals fall by the wayside.

When it comes to your KiwiSaver investment the new year is a great time to have a good think about your goal, whether that's buying your first home or saving for a comfortable retirement. Do you even have a goal? If you do that's great, but are you on track to achieve it? If you make a few small tweaks now, how will this change your future? So many questions, but taking a few minutes to think about these, and with the right help, could see you thousands of dollars better off or achieving your goal sooner.

We have a number of tools to help you set and achieve your KiwiSaver goals. In your online portal or mobile App you will see a section called 'Tools & Calculators'. In here you can access our **Digital Advice** tool which will help you check your appetite for risk, recommend the right fund and see if you are contributing enough to reach your goal. You can also make changes in the tool to see what impact they will have on your results.

For those of you who have reached age 65 you can use our **Spend My KiwiSaver** tool. This tool will show you how much you could spend in each year of your retirement. It will also let you see the difference that leaving your KiwiSaver funds invested could make to how long your nest egg will last. With the tool you can set up regular payments from your KiwiSaver account directly to your bank account. It couldn't be simpler!

If you only make one new year's resolution in 2023 make it to check you're on track with KiwiSaver. We have provided you with the tools to make it easy and to help you achieve your goal. A few minutes now could see you reaping the rewards at retirement.

KiwiSaver Digital Advice

Spend My KiwiSaver

For more information about getting advice at Milford, see milfordasset.com/getting-advice. Financial Adviser Disclosure statements are available upon request free of charge.