

Milford Market & Economic Review

August 2023

Divergence creates a land of opportunity

Global markets were choppy in August with generally weaker asset prices, although there was a wide range of outcomes across bonds and shares. This divergence is partly reflecting the recent fortunes of various economies, with the US (strong) and China (weak) at opposite ends of the spectrum. Funds ended the month modestly lower, with lower risk funds outperforming higher risk funds.

The global economic cycle is impacting different economies in different ways, driven primarily by the sensitivity of different economies to the rise in interest rates over the past 18 months. The US is relatively immune to hikes in the short run, whilst NZ and Australia are very sensitive. Europe is somewhere in the middle. China is also weakening, on a secular and cyclical basis. This is leading to opportunities for us to express views across regions in currencies, bonds and shares. In August, we saw non-US bonds outperform US equivalents, in addition to the NZ dollar falling 3.9% vs the US dollar – trends that we have been positioned for.

New Zealand shares underperformed in August (the NZX 50 fell 4.2%), as reporting season has revealed a tough trading environment for NZ businesses. Our key NZ holding, Contact Energy, bucked the trend as strong results saw the stock rally 0.7% in the month, building on a 6 month return of 12%. In Australia, property company Goodman Group has been investing heavily in data centres, helping it deliver strong results and a stock price gain of 13.7% last month. Global shares were modestly lower in August but some of our picks continue to do well, such as life science company Avantor (up 5.3%), insurance brokers Arthur J. Gallagher (up 7.6%) and Aon (up 4.7%).

The ongoing divergence in global economies, coupled with shifting fortunes for different types of companies, is giving us a large opportunity set to invest in. The medium to long term outlook for returns continues to be healthy. In particular, a slowing in growth should at the very least stop bond prices from falling, allowing the full benefit of strong yields on those bonds to be seen in returns.

Milford Fund Performance as at 31 August 2023

Milford Investment Funds

	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*	0.08%	4.02%	1.15%	3.04%	4.44%	1.1802	548.5 M
Diversified Income Fund*	-1.10%	2.49%	3.53%	4.52%	8.99%	1.8124	2,738.0 M
Balanced Fund	-0.49%	5.53%	5.80%	6.36%	8.88%	2.9965	1,620.1 M
Active Growth Fund	-0.62%	9.48%	7.91%	7.89%	11.52%	5.2464	2,917.5 M
Australian Absolute Growth Fund	-0.97%	3.96%	9.82%	7.93%	8.40%	1.5481	607.9 M
Aggressive Fund	-2.00%	9.22%	—	—	1.73%	1.0350	1,273.8 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund**	0.74%	4.08%	-1.07%	1.65%	3.57%	1.1106	1,494.0 M
Global Corporate Bond Fund**	0.42%	2.49%	-1.17%	1.51%	2.24%	.9981	463.0 M
Cash Fund	0.44%	4.65%	2.11%	—	1.86%	1.0867	533.8 M
Equity Funds							
Global Equity Fund†	-1.72%	9.97%	5.47%	8.13%	8.60%	2.3244	406.6 M
Trans-Tasman Equity Fund†	-3.14%	6.54%	5.94%	8.13%	10.59%	3.8901	654.7 M
Dynamic Fund#	-0.52%	9.38%	9.31%	8.65%	11.78%	2.9738	667.0 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

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.7 cents (Quarterly)	19/10/2023
Diversified Income Fund	1.45 cents (Quarterly)	16/11/2023
Trans-Tasman Bond Fund	0.8 cents (Quarterly)	14/09/2023
Global Corporate Bond Fund	0.7 cents (Quarterly)	14/09/2023
Trans-Tasman Equity Fund	1.5 cents (Biannually)	14/09/2023

Milford, its staff and their families, have approx. \$118.9 million invested in Milford's Investment Funds as of August 2023.

Milford Fund Performance as at 31 August 2023

Milford KiwiSaver Plan

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price \$	Fund size \$
KiwiSaver Conservative Fund	-0.14%	4.05%	1.20%	3.06%	6.60%	1.9735	217.4 M
KiwiSaver Moderate Fund	-0.40%	4.73%	3.32%	—	5.84%	1.2103	137.5 M
KiwiSaver Balanced Fund	-0.48%	5.60%	5.96%	6.51%	9.09%	3.0753	1,175.1 M
KiwiSaver Active Growth Fund [*]	-0.56%	9.44%	8.33%	8.11%	11.65%	5.3476	4,116.2 M
KiwiSaver Aggressive Fund	-1.89%	9.18%	6.99%	—	9.60%	1.4457	1,097.2 M
KiwiSaver Cash Fund	0.45%	4.65%	2.12%	—	1.89%	1.0664	115.2 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.

^{*}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.

Milford KiwiSaver Plan is the proud winner of multiple awards:



PROVIDER OF THE YEAR
KIWISAVER 2020 - 2022



OUTSTANDING VALUE
KIWISAVER SCHEME 2020 - 2022

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)	-4.16%	0.43%	-0.37%	5.22%	7.55%
S&P/ASX 200 Accumulation Index (AUD)	-0.73%	9.56%	10.69%	7.01%	8.57%
S&P/ASX 200 Accumulation Index (NZD)	-0.26%	6.59%	10.47%	6.97%	9.33%
MSCI World Index (local currency)*	-1.76%	14.68%	9.81%	8.93%	10.57%
MSCI World Index (NZD)*	2.02%	19.03%	13.09%	10.7%	13.25%
S&P/NZX 90-Day Bank Bill Rate	0.48%	4.66%	2.04%	1.8%	1.87%
Bloomberg Global Agg. Bond (USD-Hedged)	-0.13%	0.55%	-3.03%	0.84%	0.75%
S&P/NZX NZ Government Bond Index	-0.6%	-1.26%	-5.74%	-0.86%	0.1%

*With net dividends reinvested

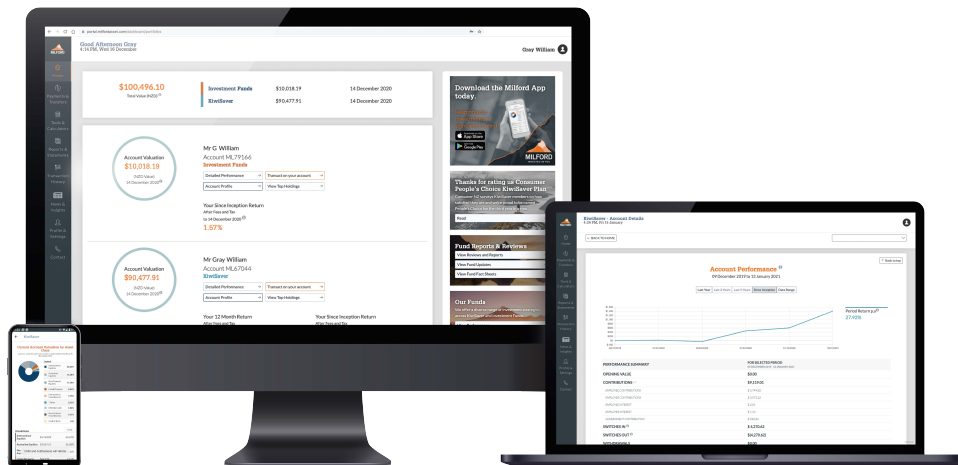
Milford staff and their families have approx. \$33.6 million invested in Milford's KiwiSaver Plan as of August 2023.

Milford Digital Tools

The Milford client portal & app

We understand that transparency is important because it's your money

Clients have access to a dedicated Milford mobile app and online portal that gives full visibility over where your money is invested and how it is performing at all times.



Need help choosing the right fund?

Access our expert digital advice to help guide you on your way

Whether you're saving for your first home, building your savings or about to retire, our digital advice can help you invest with confidence.

- ✓ Understand your risk tolerance
- ✓ Estimate your future balance
- ✓ Choose the right Milford Fund for you
- ✓ Estimate how much future income your investment could provide
- ✓ Free to use, no financial advice fee
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