

Milford Market & Economic Review

March 2023

Cakeism*

Throughout the past year, we have taken a more cautious approach centred around the view that global central bank tightening would eventually deliver a recession. This recession has yet to appear; in fact 2023 has delivered an acceleration in economic growth.

Stocks and bonds had a wild ride over the month. Initial expectations of even higher interest rates were promptly quelled by the deposit run on Silicon Valley Bank, as rapid rate rises revealed fragilities in US regional banks. This sent broad share markets lower and bond prices sharply higher, as investors now expect that central banks will have to cut interest rates by the end of the year. As it became clear that regulator actions had prevented a broader bank run, stocks recovered strongly with global shares finishing the month higher than where they started.

Milford's Funds had a modestly negative month. Our Australian Funds delivered a strong performance, partly due to the performance of Neuren Pharmaceuticals that surged after its key drug was approved by the US regulator. For our diversified Funds, wild swings in shares and bonds saw us underperform underlying assets. Our exposure to financials suffered and we maintain

limited exposure to large US technology companies that did well last month.

Share markets are falling victim to a bit of cakeism*. Shares (notably large technology companies) are rallying on expectations of lower interest rates. But lower interest rates are necessitated by an economic downturn that would be detrimental to broad earnings. Furthermore, investors appear to perceive that any issues in US banks are contained to the banking sector. However, stresses in banks will directly impact the economy via an increasing reluctance to lend. So, whilst the global economy has proved incredibly resilient to date, incrementally tighter lending standards represent another headwind going forward, increasing the risk of economic weakness in the quarters ahead.

The outlook continues to evolve, and a wide range of outcomes is possible. We remain cautiously positioned, but optimistic that we can continue to deliver good outcomes going forward.

**Cakeism - the wish to have or do two good things at the same time when this is impossible. This word comes from the phrase "to have your cake and eat it too".*

Milford Fund Performance as at 31 March 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*	0.04%	0.54%	3.01%	3.25%	4.44%	1.1733	573.6 M
Diversified Income Fund*	-1.64%	-0.56%	5.88%	5.11%	9.16%	1.8132	2,754.0 M
Balanced Fund	-0.98%	0.09%	9.67%	6.97%	8.92%	2.9071	1,594.0 M
Active Growth Fund	-1.24%	-0.83%	12.75%	8.35%	11.45%	4.9701	2,752.7 M
Australian Absolute Growth Fund	1.15%	0.76%	14.25%	8.98%	8.64%	1.5141	593.5 M
Aggressive Fund	0.41%	-2.08%	—	—	-0.81%	.9829	1,055.7 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund**	1.49%	1.25%	0.06%	1.79%	3.60%	1.1051	1,242.6 M
Global Corporate Bond Fund**	0.73%	-3.06%	0.54%	1.29%	2.07%	.9863	427.4 M
Cash Fund	0.40%	3.25%	1.41%	—	1.50%	1.0629	467.1 M
Equity Funds							
Global Equity Fund†	1.00%	-2.86%	12.67%	8.73%	8.44%	2.2130	383.5 M
Trans-Tasman Equity Fund*	1.17%	-0.38%	13.49%	10.23%	10.75%	3.8209	668.8 M
Dynamic Fund#	0.18%	-4.11%	19.29%	9.97%	11.65%	2.8084	649.6 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)	20/04/2023
Diversified Income Fund	1.45 cents (Quarterly)	18/05/2023
Trans-Tasman Bond Fund	0.8 cents (Quarterly)	15/06/2023
Global Corporate Bond Fund	0.7 cents (Quarterly)	15/06/2023
Trans-Tasman Equity Fund	1.5 cents (Biannually)	14/09/2023

Milford, its staff and their families, have approx. \$114.4 million invested in Milford's Investment Funds as of March 2023.

Milford Fund Performance as at 31 March 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	0.04%	0.72%	3.03%	3.25%	6.69%	1.9386	209.5 M
KiwiSaver Moderate Fund	-0.43%	0.57%	5.94%	—	5.89%	1.1840	120.4 M
KiwiSaver Balanced Fund	-0.90%	-0.02%	9.80%	7.14%	9.14%	2.9834	1,051.1 M
KiwiSaver Active Growth Fund [^]	-1.21%	-0.94%	12.86%	8.59%	11.59%	5.0701	3,565.6 M
KiwiSaver Aggressive Fund	0.61%	-1.81%	14.52%	—	9.23%	1.3750	911.6 M
KiwiSaver Cash Fund	0.40%	3.25%	1.41%	—	1.40%	1.0429	119.9 M

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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)	0.21%	-1.02%	7.42%	8.26%	9.41%
S&P/ASX 200 Accumulation Index (AUD)	-0.16%	0.1%	16.53%	8.7%	9.39%
S&P/ASX 200 Accumulation Index (NZD)	-1.84%	-0.78%	17.97%	8.82%	8.85%
MSCI World Index (local currency)*	2.48%	-5.47%	16.75%	8.92%	10.21%
MSCI World Index (NZD)*	2.08%	3.37%	14.34%	11.13%	11.38%
S&P/NZX 90-Day Bank Bill Rate	0.4%	3.15%	1.34%	1.51%	1.69%
Bloomberg Global Agg. Bond (USD-Hedged)	2.22%	-3.86%	-2.13%	0.96%	1.19%
S&P/NZX NZ Government Bond Index	2.3%	-2.63%	-3.8%	0.13%	0.87%

*With net dividends reinvested

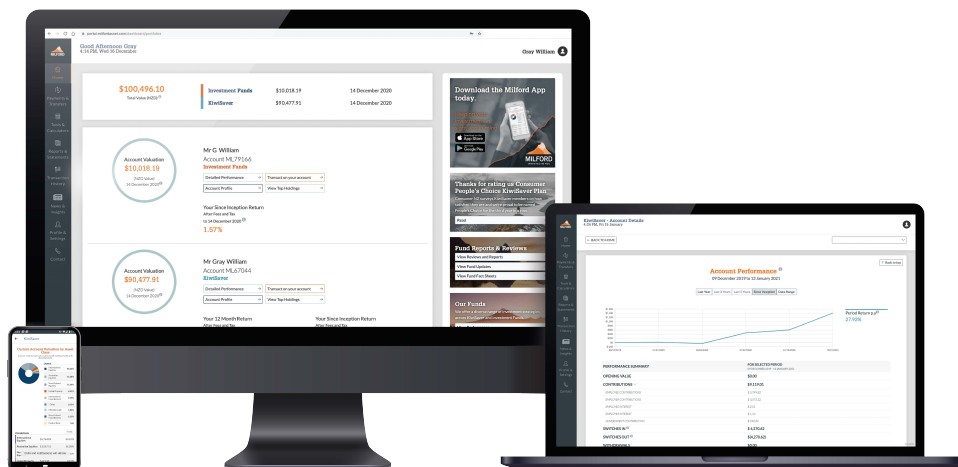
Milford staff and their families have approx. \$29.3 million invested in Milford's KiwiSaver Plan as of March 2023.

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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