

Frequently asked questions

This FAQ addresses common client questions about recent investment performance, portfolio construction, and Milford's long-term investment approach. It provides explanations of how portfolios are managed and how performance should be assessed over time.

Why might my portfolio performance differ from major market indices?

Indexes such as the S&P 500 and Nasdaq mainly track the performance of some of the world's largest companies. Our portfolios invest across a much broader mix of assets to help manage risk and deliver long-term returns. As a result, our performance may differ from these indexes, especially over shorter periods.

Why can returns appear muted even when markets are performing strongly?

Recent market gains have been driven by a handful of large US tech and AI companies. Our portfolios are deliberately spread across many different investments, rather than relying heavily on any one sector. This means they may not rise as quickly when a small group of companies is leading the market, but the aim is to reduce risk and deliver more consistent returns over time.

What role does risk play in portfolio performance?

Higher returns can come with higher risk. While some parts of the market can deliver impressive gains, they can also be more volatile and experience sharper falls. Our investment approach aims to provide sustainable long-term growth by carefully managing risk and maintaining a diversified portfolio.

Why is diversification important?

By investing across a wide range of assets, diversification helps reduce the risk of having too much riding on any one investment or sector. While this approach may not capture all the gains when a handful of companies are driving the market higher, it can provide greater protection when markets become more volatile. That's why diversification remains an important part of a long-term investment strategy.

Why not just buy the winners like Nvidia?

A single stock can deliver spectacular gains, but it can fall just as sharply when momentum turns. A diversified fund is designed for steadier, risk-managed progress over time, rather than relying on the fortunes of a single company.

Why are longer-term time horizons important when assessing performance?

Markets can move around a lot in the short term, which can make investment results look better or worse than they really are. That's why it's important to focus on longer-term performance. Taking a longer view gives a better indication of how a portfolio is tracking against its objectives and how well it is managing risk while growing investors' money over time.

What's the problem with direct share comparisons?

A portfolio and an individual share serve different purposes. While a single stock can deliver strong gains, it can also experience significant falls. A diversified portfolio is designed to spread risk across a range of investments, aiming for steadier long-term growth rather than relying on the fortunes of one company. The key question isn't whether the portfolio beat a particular stock, but whether it's delivering the outcomes it was designed to achieve at an appropriate level of risk.

Does selling some of a successful investment mean you think it will fall?

Not necessarily. Selling part of a holding is often about portfolio construction rather than making a negative judgement about that investment. As an investment rises in value, it can become a larger part of the portfolio than intended. Reducing it can help maintain an appropriate balance of risk, while still retaining exposure if it continues to perform well.

Why can't you just time the market?

It can be tempting to think investors should jump in and out of markets to avoid downturns and capture gains, but consistently getting the timing right is very difficult. What looks obvious after the fact is rarely clear at the time. That's why we focus on a disciplined, long-term approach rather than trying to predict short-term market movements. By staying invested and sticking to a consistent strategy, portfolios are better positioned to work toward their long-term goals.

Why isn't my KiwiSaver account balance going up when markets are at record highs?

Record highs usually refer to one market, for example the US S&P 500. Other markets, including the UK, Australia and New Zealand, may not be rising at the same time. A diversified KiwiSaver fund holds a mix of investments across markets and asset classes, so its balance rarely mirrors a single headline index.

Why is my fund behind the US market or the S&P 500?

The S&P 500 tracks large US companies only. A diversified fund also holds assets from other regions, smaller companies and often bonds, so it will rarely match a single share index over any given period. That is not a like-for-like comparison, and diversification is the reason for the difference.

What is market concentration and why does it matter?

Market concentration means a small number of companies make up a large share of an index. In the S&P 500, the ten largest stocks account for nearly 40% of the index at the time of publishing. That means index performance is increasingly driven by a relatively small number of companies. The fewer companies driving returns, the greater the concentration risk.

Does lagging the index mean my fund is doing badly?

Not necessarily. A diversified fund is built to manage risk across a full market cycle, not to track a single index. When gains are concentrated in a narrow group of stocks, a diversified fund can lag behind. That doesn't mean the strategy isn't working; it simply reflects the role diversification plays in managing risk and pursuing stable long-term returns.

Should I switch to an index fund or ETF to keep up?

Index funds and ETFs are low-cost and designed to track an index wherever it goes. An actively managed fund has the flexibility to take a different approach when the investment team identifies risks or opportunities that may not be reflected in the index. Which approach is right for you depends on your goals, timeframe and tolerance for risk.

How should I measure whether my investments are doing well?

It's generally better to compare the benchmark and objective of Funds against your own

goals and timeframe, rather than this quarter's hottest index. The better questions are whether you are on track to reach your long-term financial goals, taking the level of risk best suited to your tolerance, and able to stay invested during the inevitable ups and downs. Our tools and advisers can help, or you can speak with your own financial adviser.

What's Milford's overall investment philosophy?

Milford's investment philosophy remains centred on delivering sustainable, long-term returns with controlled risk, aligned to client objectives rather than market speculation.