

Active Growth Fund

Portfolio Investment Entity

Quarterly Fact Sheet as at 30 September 2018



Portfolio Managers



Jonathan Windust
Portfolio Manager



William Curtaayne
Co-Portfolio Manager

The Fund rose 2.9% during the September quarter benefiting from the strong performance of New Zealand and global share markets, up 4.6% and 5.3% respectively. Markets continued to benefit from strong economic growth, investor optimism and good earnings growth; particularly from the US where earnings were up 25% versus the previous year.

In response to strong growth, the US central bank increased its short-term interest rate. In contrast the Reserve Bank of NZ indicated rates were likely to remain on hold until 2020. This divergence in rate prospects contributed to a fall of 2.2% in the NZ dollar against the US dollar; boosting returns from unhedged offshore investments. The prospect of low rates for longer helped support income orientated NZ share and NZ fixed income investments.

Key company performers during the quarter were Delegates (+20.3%) and Ebos (+27.3%) in NZ, Pinnacle (+49.6%) and Bingo (+22.0%) in Australia and Microsoft (+16.4%) in the United States. Delegates, Ebos, Pinnacle and Microsoft benefited from good earnings results whilst Bingo benefited from an attractive acquisition. Returns in general continue to be boosted by an increase in valuation multiples driven by strong investor demand. Pinnacle is an Australian fund manager which has delivered very strong earnings growth +92.5% on the back of a 43% increase in assets under management.

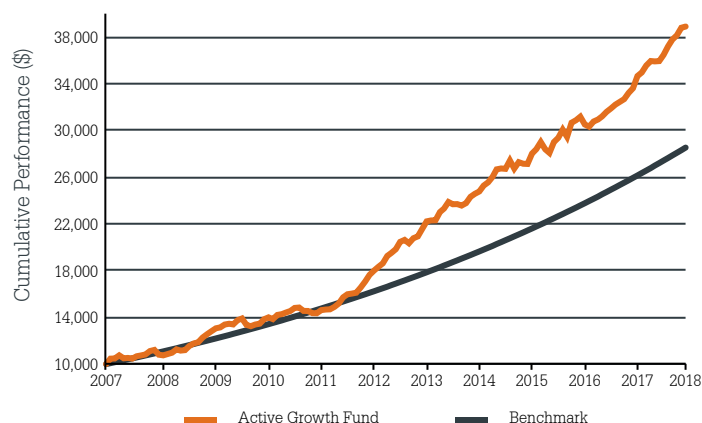
A key addition to the portfolio during the quarter was mining company Rio Tinto. We believe Rio's share price had fallen too far

in response to concerns over Chinese growth. The Fund also increased its holding in Steel and Tube as part of an equity issue to help repair its balance sheet. Whilst in a difficult industry we are confident in management's ability to restore profitability.

Looking forward, we expect economic and earnings growth to moderate but to remain at relatively healthy levels and are not expecting a sharp downturn. The key risks are high valuations and a potential sharper rise in interest rates in the US given strong growth. On balance we believe share markets will continue to outperform but relatively high valuations mean future returns are likely to be lower and have increased risks if growth or earnings disappoint. Accordingly, the Fund has a lower than average holdings in shares and is avoiding higher valued companies. Shares represented approximately 69% of the Fund at quarter end. In terms of regions, we continue to favor the US given the strong economic and company earnings prospects.

Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date.

Key Fund Facts

Objective¹	Annual returns of 10% over a minimum of five years
Description	Diversified fund that primarily invests in Australasian equities, with a moderate allocation to international equities and fixed interest securities
Target Allocation	20% Income Assets / 80% Growth Assets
Neutral FX Exposure	11%
Net Asset Value (NAV)	\$1,036.7 M
Buy-sell Spread	None
Inception Date	1 October 2007

Status	Closed to new investors
Benchmark	10% p.a.
Base Fund Fee²	1.07%
Performance Fee	15% of the Fund's returns above the Benchmark ¹
Total Fund Fees³	1.38% (includes an est. performance fee)
Risk Indicator	<div style="display: flex; justify-content: space-between;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div>

Investment Performance after fees as at 30 September 2018⁴

Unit Price: \$3.6456

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Active Growth Fund (Gross Of Tax)	2.95%	8.23%	15.72%	12.75%	12.51%	13.14%
After Tax 10.50%	2.86%	8.22%	15.39%	12.48%	12.16%	12.57%
After Tax 17.50%	2.79%	8.21%	15.17%	12.30%	11.93%	12.37%
After Tax 28.00%	2.70%	8.19%	14.84%	12.03%	11.57%	11.92%
Benchmark	2.41%	4.88%	10.00%	10.00%	10.00%	10.00%

Top Equity Holdings

Holdings	% of Fund's NAV
iShares Edge MSCI Min Vol EAFE ETF	3.38%
Contact Energy	2.49%
Spark New Zealand	1.90%
a2 Milk Company	1.80%
Vanguard Intl Shares Sel Exclusions Idx	1.67%
Delegat Group	1.48%
Z Energy	1.35%
Unibail-Rodamco-Westfield	1.28%
Alphabet Inc Class C	1.19%
Summerset Group Holdings	1.13%

Current Asset Allocation

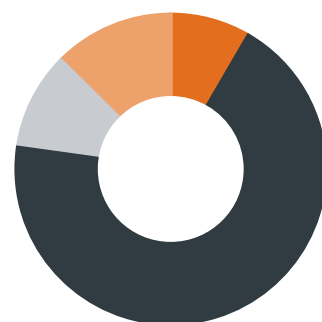
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	12.50%	6.00%
New Zealand Fixed Interest	2.91%	4.00%
International Fixed Interest	15.65%	10.00%
New Zealand Equities	25.52%	32.00%
Australian Equities	18.27%	26.00%
International Equities	19.24%	22.00%
Listed Property	5.73%	0%
Other	0.18%	0%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
CYBG 8% 2049	1.64%
Westpac 5% 2027	1.23%
Westpac Float 2028	1.01%
Crown Resorts 5.795% 2075	0.97%
Credit Suisse Group AG 7.5% 2023	0.70%
ASB Bank 5.25% 2026	0.67%
Barclays 5.875% 2024	0.66%
Suncorp Float 2028	0.60%
CYBG 5% 2026	0.60%
Rabobank 4.625% 2025	0.60%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Fund Portfolio Mix



Investment Grade Bonds 8.39% Shares 68.76%
High Yield & Unrated Bonds 10.17% Cash and Other 12.68%

1. After the base fund fee but before tax and before the performance fee. **2.** Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. **3.** The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. **4.** Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Quarterly Fact Sheet' [here](#) for more information about the data published within this document.

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