

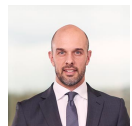
# Balanced Fund

Portfolio Investment Entity

Quarterly Fact Sheet as at 31 December 2018



## Portfolio Managers



**Mark Riggall**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

The fourth quarter of 2018 saw turbulence in financial markets the likes of which has not been seen since 2011. Although global economic growth is reasonable, it has slowed markedly. In addition, the US central bank has been raising interest rates and reducing its balance sheet - in effect withdrawing money from the global financial system. It is likely that this withdrawal of monetary stimulus has impacted markets the greatest, as markets adjust to an environment of higher interest rates.

As with the previous quarter, the Fund was positioned relatively cautiously with elevated cash levels, derivative hedges (insurance on share prices) and some offshore currency exposure. Nonetheless, the Fund did suffer losses, delivering a 5.3% loss in the quarter, although over 1 year the return is still slightly positive at 0.5%

Over the course of the quarter, Milford took action to reduce positions as markets fell, helping mitigate further losses. Cash levels were increased by selling shares, in addition to the active trading of derivative (insurance) positions.

Looking ahead, the outlook remains uncertain. Global economic growth is slowing, although it is too soon to tell whether this will produce a recession. Incoming global and local economic data will be closely monitored accordingly. Also uncertain is the extent to which slowing global growth will impact company earnings. Companies in the US, Australia and NZ report earnings over the next month so we will be watching these reports closely.

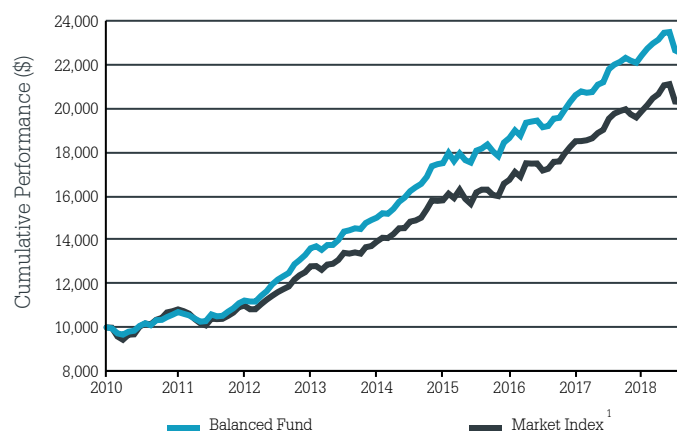
In uncertain times, we would expect to be paying cheaper prices for shares and corporate bonds. Certain global share markets are

registering as being moderately cheap, compared to a medium-term history, and it is there that we will look to selectively invest and increase exposure. Australian shares remain expensive relative to the rest of the world. We are increasingly concerned about the prospects for the Australian economy, due to the falling housing market and level of household debt. Accordingly, the Fund has reduced its exposure to Australian shares significantly. NZ shares remain expensive but still in demand and exposure is slightly below neutral. The underlying bond funds have reduced exposure to company bonds given the uncertain outlook and bond valuations are not attractive given the risks.

The volatility we have experienced in the past three months is likely to persist, with significant swings both up and down in markets. The Fund will look to take advantage of these swings where possible and will remain generally more defensive until there are signs that the current risks such as trade tensions & China slowdown have abated.

## Cumulative Fund Performance

(after fees and before tax)



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

## Key Fund Facts

<b>Objective<sup>2</sup></b>	Capital growth over a minimum of five years
<b>Description</b>	Diversified fund that primarily invests in equities, with a significant allocation to fixed interest securities
<b>Target Allocation</b>	39% Income Assets / 61% Growth Assets
<b>Neutral FX Exposure</b>	12.5%
<b>Net Asset Value (NAV)</b>	\$243.0 M
<b>Buy-sell Spread</b>	None
<b>Inception Date</b>	1 April 2010

<b>Benchmark</b>	Not applicable
<b>Base Fund Fee<sup>3</sup></b>	1.13%
<b>Performance Fee</b>	The Fund may invest into related Milford funds that charge performance fees.
<b>Total Fund Fees<sup>4</sup></b>	1.25% (includes an est. performance fee)
<b>Risk Indicator</b>	<p>Lower risk <span style="float: right;">Higher risk</span></p> <p style="text-align: center;">1 2 3 4 5 6 7</p> <p>Potentially lower returns <span style="float: right;">Potentially higher returns</span></p>

Investment Performance after fees as at 31 December 2018<sup>5</sup>

Unit Price: \$2.1451

	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Balanced Fund (Gross Of Tax)	-5.34%	-3.19%	0.49%	6.60%	8.88%	9.55%
After Tax 10.50%	-5.39%	-3.32%	0.20%	6.14%	8.35%	8.96%
After Tax 17.50%	-5.43%	-3.41%	0.00%	5.84%	7.99%	8.56%
After Tax 28.00%	-5.48%	-3.55%	-0.29%	5.38%	7.46%	7.99%
Market Index <sup>1</sup>	-5.43%	-2.45%	0.44%	7.01%	8.26%	8.22%

## Top Equity Holdings

Holdings	% of Fund's NAV
iShares MSCI EAFE ETF	3.52%
Contact Energy	1.90%
a2 Milk Company	1.21%
Meridian Energy	1.12%
iShares Edge MSCI Min Vol EAFE ETF	0.95%
Spark New Zealand	0.87%
Vontobel mtX Sustainable EM Leaders	0.87%
Wellington Global Health Care	0.85%
Transurban Group	0.85%
Wellington Strategic Euro	0.79%

## Current Asset Allocation

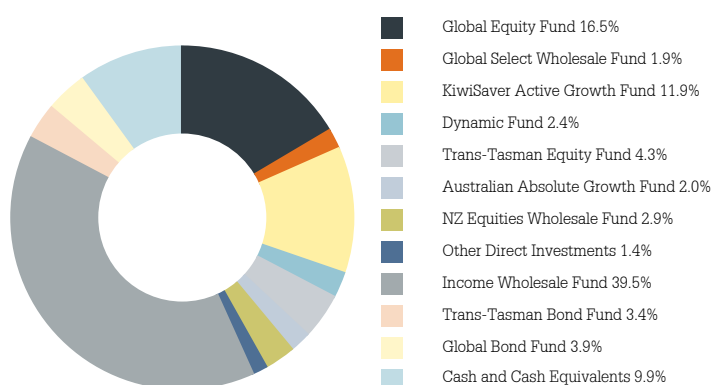
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	23.98%	8.00%
New Zealand Fixed Interest	7.95%	8.00%
International Fixed Interest	23.53%	23.00%
New Zealand Equities	10.63%	15.00%
Australian Equities	2.61%	15.00%
International Equities	23.83%	25.00%
Listed Property	7.27%	6.00%
Other	0.20%	0%

## Top Fixed Interest Holdings

Holdings	% of Fund's NAV
ASB Bank 5.25% 2026	0.89%
Westpac Banking Corporation 4.695% 2026	0.69%
QBE Insurance Group 6.75% 2044	0.67%
Rabobank 4.625% 2025	0.54%
Aventus Capital Float 2025	0.52%
Westpac Banking Corporation Float 2021	0.49%
Crown Resorts Float 2075	0.47%
Mirvac Group Finance 3.625% 2027	0.46%
Bank of New Zealand 3.375% 2021	0.44%
JPMorgan 5.15% 2023	0.42%

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

## Fund Allocation



1. The Fund does not have a performance benchmark, hence a market index has been included for comparison purposes. See the Statement of Investment Policy and Objectives for more details on the market index. The market index is a blend of indices that represent the Fund's neutral asset allocation. Note the Fund's investment strategy is designed to achieve its objective, which may mean that at times, the returns of the market index may not be an appropriate measure. 2. After the base fund fee but before tax and before the performance fee. 3. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 4. 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. 5. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Quarterly Fact Sheet' at [milfordasset.com/fact-sheet-ks](http://milfordasset.com/fact-sheet-ks) for more information about the data published within this document.

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