

Milford Australian Absolute Growth Fund - W Class

September 2021



Portfolio Managers



William Curtayne
Portfolio Manager



Wayne Gentle
Portfolio Manager

The Australian Absolute Growth Fund declined 1.0% in September as the Australian equity market fell nearly 2%. Fears that Chinese property developer Evergrande Group would collapse drove iron ore prices below \$100 from over \$200 in July. This saw large pullbacks in iron ore miners and other metals. Despite buying some BHP last month, we moved to reduce it again early in September as the outlook for the Chinese property sector and iron ore deteriorated, leaving the Fund with minimal exposure when prices collapsed.

The other headwind for markets was the march higher in long-term bond yields as global central banks moved more hawkish which saw many growth stocks and expensive companies pull back.

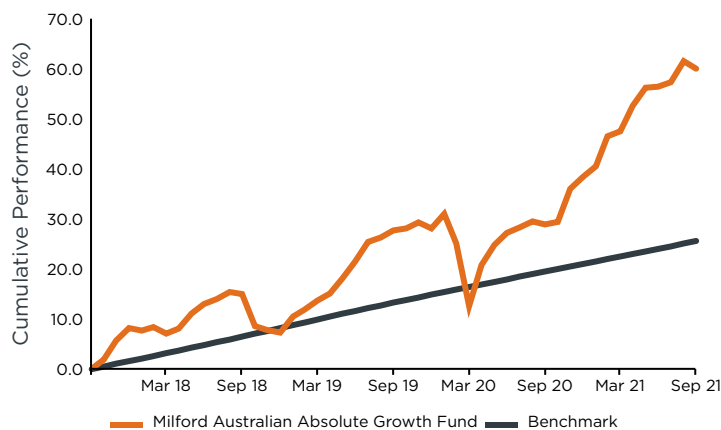
The Fund has taken a more conservative invested position with cash at 26% and some derivative protection. While we don't believe China's Evergrande is a "Lehman moment", it confirms that China's economic focus has shifted from stimulating the property market at all costs to investing in future growth sectors such as technology. This may lead to longer term demand issues for iron ore that are not priced into the market expectations. Combine this with short-term headwinds of declining property starts, power outages and steel production curbs ahead of the winter Olympics, we have taken a more cautious stance on iron ore until we see more stimulus from policy makers.

The looming US Federal Reserve taper of asset purchases expected in November may also continue to pressure valuations on growth stocks and equities in general. This has led us to profit taking in investments that have become fully valued.

Our concerns could easily be resolved if the Fed walks away from its taper intentions, or Chinese policy makers stimulate more aggressively. However, the respective hurdles for this to happen appear to be high with sustained inflation pressures in the US and China's focus on structural reform. We are comfortable with a cautious approach in line with the Fund's absolute return objectives until these concerns are resolved or markets move lower. And despite these near term issues, we remain constructive on the medium-term outlook.

There are still opportunities and winners in this environment. We believe the energy companies have a positive outlook given rising demand as economies reopen and supply shortages emerge due to little new resource development over the past two years. Some banks and insurers will benefit from rising global interest rates and reasonably valued defensive companies may do well in an uncertain environment. We have increased our positions in these companies.

Investment Performance to September 2021*



* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

Key Fund Facts

Objective

Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital over rolling three-year periods.

Description

A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging.

| | |
|---|---|
| Benchmark | RBA Cash Rate + 5% p.a. |
| APIR | ETL8155AU |
| Redemption Price as at 30 Sep | \$1.2659 |
| NAV as at 30 Sep | \$175.9 Million |
| Inception Date | October 2017 |
| Minimum Investment | \$5,000,000 |
| Recommended Investment Timeframe | 5 years + |
| Buy-sell Spread | +/-0.20% |
| Entry/Exit Fee | Nil |
| Management Fee | 0.90% |
| Performance Fee | 15.35% p.a. of returns above the benchmark subject to achieving the high watermark. |
| Fund Pricing | Daily |
| Distribution Frequency | Biannual |

Investment Performance to September 2021*

| | 1 Month | 6 Months | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.)**** |
|---|---------|----------|--------|----------------|----------------|----------------------------|
| Milford Australian Absolute Growth Fund | -0.96% | 8.40% | 24.08% | 11.62% | - | 12.46% |
| Benchmark | 0.41% | 2.52% | 5.11% | 5.65% | - | 5.86% |
| Over/Underperformance | -1.37% | 5.90% | 19.00% | 5.99% | - | 6.61% |
| S&P/ASX 200 (TR) Index | -1.85% | 10.14% | 30.56% | 9.65% | - | 10.72% |
| Over/Underperformance | -3.46% | -6.54% | -4.05% | 1.76% | - | 0.98% |

Past performance is not a reliable indicator of future performance.

* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

** Inception date of the Fund is 02 October 2017.

Top Security Holdings

| Holdings | % of Fund |
|---------------------|-----------|
| NAB | 5.28% |
| Telstra | 4.48% |
| CSL | 3.90% |
| Sydney Airport | 3.58% |
| Virgin Money | 3.25% |
| Evolution Mining | 2.97% |
| Santos | 2.97% |
| Aristocrat Leisure | 2.40% |
| Charter Hall Retail | 2.24% |
| Collins Foods | 2.16% |

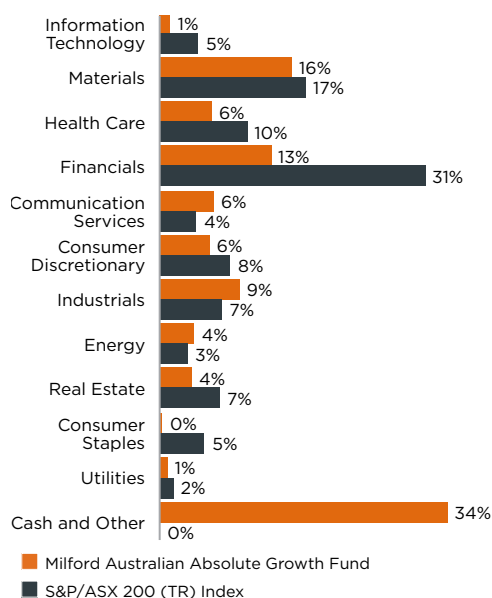
Current Asset Allocation

| | Actual | Typical Range | Maximum Range |
|------------------------|--------|---------------|---------------|
| Australian Equities* | 62.83% | 75-85% | 0-100% |
| International Equities | 3.42% | 0-10% | 0-30% |
| Cash and Other # | 33.75% | 0-10% | 0-100% |

* Includes New Zealand Equities

Effective Cash reported above is adjusted to reflect the Fund's notional positions.

Sector Allocation



Ratings



Awards



Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report.

There have been no changes to the key service providers or individuals playing a key role in investment since the last monthly report.

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