

Milford Dynamic Fund (AU)

December 2021

Portfolio Managers



William Curtayne
Portfolio Manager



Michael Higgins
Portfolio Manager

2021 was a strong year for the Dynamic Fund having delivered a 22.2% return against the Small Ordinaries benchmark return of 16.9%. The Fund rallied by 1.34% in December broadly in line with the benchmark.

We were pleased to pass our two-year performance anniversary having delivered a 46.8% Fund return since inception in October 2019. Over the last eight years since inception, the Fund Strategy has returned 14.3% p.a. against the benchmark return of 9.0% p.a.

Performance was led by Neuren Pharmaceuticals, which rallied 74% following exceptional phase 3 trial results for its drug Trofinetide which treats Rett Syndrome – a rare disease. Neuren will be seeking US regulatory approval in late 2022/early 2023 with very exciting commercialisation prospects once this is achieved. Furthermore, they have an exciting early-stage drug in development, (NNZ-2591), that if successful, could treat markets far larger than Rett Syndrome.

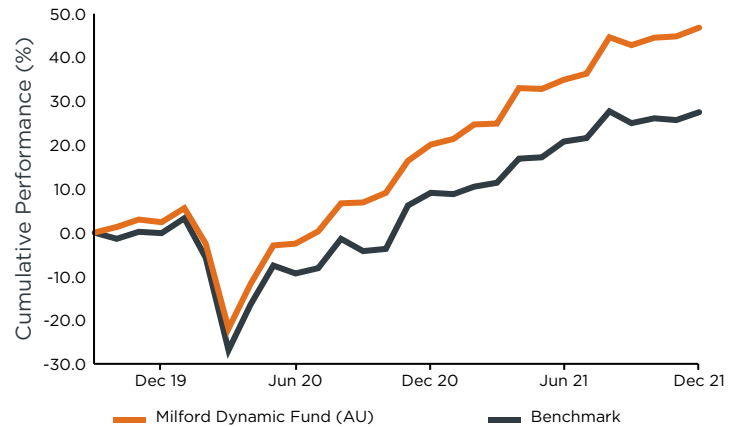
We were pleased that a recent addition to the Fund, independent supermarket wholesaler Metcash (+12.4%), was a key contributor in December. We believe Metcash's defensive characteristics and exposure to higher-margin hardware is underappreciated by equity markets. We also expect Metcash to be a key beneficiary of grocery inflation. Industry feedback suggests this will likely emerge more prominently in 1Q22.

DGL (Dangerous Goods Logistics), an IPO that listed in May, rallied 24.5% in December. DGL is a founder-led business exposed to the logistics and storage of specialised chemicals. There are stringent regulatory requirements to ensure personal and environmental safety which leads to high barriers to entry. The thematic is growing globally as environmental awareness improves.

Laggards included digital payments business EML Payments (-10.9%) which returned some of last month's outperformance, and Collins Foods (-4.4%) – we retain a positive view on both companies.

As we approach the new year, global risks continue to escalate particularly around inflation, supply chains and labour availability. That said, early reports on Omicron suggest while it is far more contagious than previous variants, it does appear less deadly. Given this new development, we have added some reopening beneficiaries to better balance the Fund. We remain cautiously optimistic into 2022.

Investment Performance to December 2021*



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

Key Fund Facts

Objective	The fund targets outperformance of the S&P/ASX Small Ordinaries (TR) Index over the minimum recommended investment timeframe (net of fees)
Description	Primarily invests in small to mid-cap Australian equities
Benchmark	S&P/ASX Small Ordinaries (TR) Index
APIR	ETL6978AU
mFund Code	MFA02
Redemption Price as at 31 Dec	\$1.3743
NAV as at 31 Dec	\$41.7 Million
Inception Date	October 2019
Minimum Investment	\$20,000
Recommended Investment Timeframe	8 years +
Buy-sell Spread	+/-0.30%
Entry/Exit Fee	Nil
Management Fee*	1.10%
Capped Expense Recovery*	0.10%
Performance Fee*	20% p.a. of returns above the benchmark subject to achieving the high watermark
Fund Pricing	Daily
Distribution Frequency	Biannual

*Fees are stated exclusive of GST.

Milford Dynamic Fund (AU) December 2021

Investment Performance to December 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Dynamic Fund (AU)	1.34%	8.76%	22.16%	-	-	-
Milford Dynamic Fund (Strategy)***	1.34%	8.75%	22.16%	22.09%	15.69%	14.33%
Benchmark	1.41%	5.54%	16.90%	15.71%	11.17%	8.98%
Over/Underperformance	-0.07%	3.21%	5.26%	6.38%	4.52%	5.35%

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 Milford Dynamic Fund (Strategy) is 01 October 2019.

*** The Milford Dynamic Fund (Strategy) Performance combines the performance of the Milford Dynamic Fund (NZ) from 1 October 2013 to 30 September 2019 and the performance of the Milford Dynamic Fund (AU) thereafter. The performance of the Milford Dynamic Fund (NZ) has been adjusted to reflect the difference in fee structure and neutral currency exposure from the Milford Dynamic Fund (AU).

Top Security Holdings

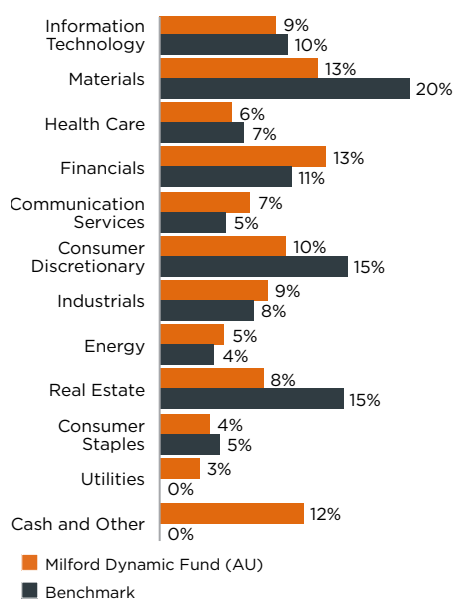
Holdings	% of Fund
Collins Foods	3.93%
Credit Corp	3.42%
Metcash	3.25%
IPH	3.23%
Contact Energy	3.16%
Seven Group	3.07%
Carsales.Com	3.02%
Lifestyle Communities	2.71%
EBOS Group	2.64%
Sandfire Resources	2.59%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	84.17%	90%	80-100%
New Zealand Equities	4.23%	0%	0-20%
Cash and Other #	11.60%	10%	0-20%

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

Sector Allocation



Ratings



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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Milford Dynamic Fund (AU)’s Target Market Determination is available at <https://milfordasset.com.au/forms-documents.au>. The Target Market Determination is a document describing who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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