

Milford Dynamic Fund (AU)

March 2022

Portfolio Managers



William Curtayne
Portfolio Manager



Michael Higgins
Portfolio Manager

The Dynamic Fund returned 2.1% in March, below the S&P/ASX Small Ordinaries benchmark which rallied 5.3%. Base metals and energy were the best performing sectors, reflecting sharp commodity price moves driven by global geopolitical tensions.

Performance was led by independent supermarket and hardware retailer Metcash (+10.2%). Metcash is the largest position in the Fund and we like it for 2 key reasons. Firstly, we believe equity markets have underestimated the hardware segment growth potential which now contribute ~40% of group earnings after a period of acquisition. Secondly, industry meetings suggest that food inflation has only just begun to emerge and will be an ongoing theme this year. Given Metcash is a lower margin wholesaler, they should be a major beneficiary from this dynamic.

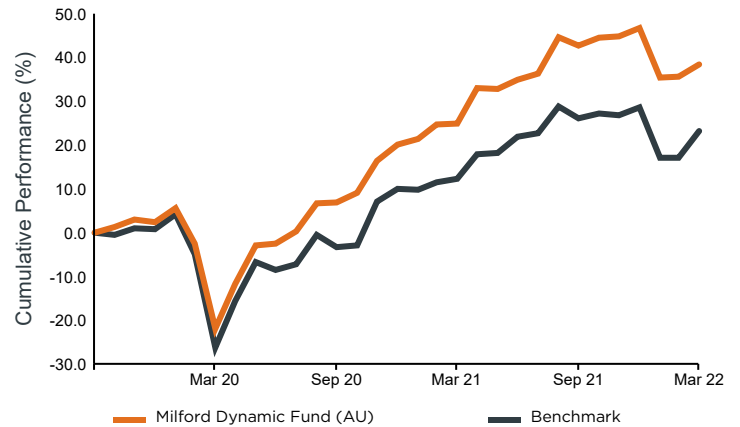
Digital payments business EML Payments (+24.9%) rebounded following a period of weakness. EML is a key beneficiary of rising interest rates. Management commented in February that for every 1% move in rates, earnings increased \$15m. This should provide an earnings tailwind as the company emerges from a period of regulatory cost re-basement.

Gold miner Silver Lake Resources (+16.2%) was a strong contributor over the month. The rally reflected heightened uncertainty from geopolitical developments in Ukraine. Gold should continue to be resilient in the near term as safe haven demand builds.

Detractors included copper miner Sandfire Resources (-14.5%) as the market digested higher energy prices from the MATSA acquisition and UK bank Virgin Money UK (-9.4%). We continue to hold both companies.

As we have previously flagged, the move to combat persistently high inflation rates now requires tighter monetary policies from central banks. Unfortunately, constraints across labour markets, supply chains and commodity markets all exacerbate inflationary pressures. The portfolio is well positioned for this environment, and we don't believe it's the time to be overly aggressive in our positioning given the myriad of unknowns. With this backdrop, the Fund's positioning favours commodities, those companies that benefit from the post-pandemic reopening or companies with strong pricing power and an ability to pass on costs.

Investment Performance to March 2022*



* 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 Mar	\$1.2949
NAV as at 31 Mar	\$42.1 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	1.23%
Performance Fee	20.50% p.a. of returns above the benchmark subject to achieving the high watermark.
Fund Pricing	Daily
Distribution Frequency	Biannual

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Investment Performance to March 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Dynamic Fund (AU)	2.07%	-3.07%	10.76%	-	-	-
Milford Dynamic Fund (Strategy)***	2.07%	-3.07%	10.76%	17.78%	14.48%	13.11%
Benchmark	5.26%	-2.27%	9.68%	9.64%	9.90%	8.16%
Over/Underperformance	-3.19%	-0.80%	1.08%	8.14%	4.58%	4.95%

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

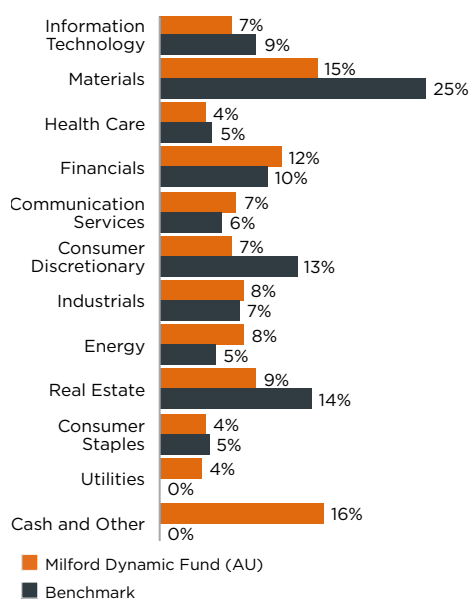
Holdings	% of Fund
Metcash	4.29%
Contact Energy	3.94%
Evolution Mining	3.33%
Seven Group	3.31%
IPH	3.17%
Credit Corp	3.00%
Santos	2.92%
Collins Foods	2.77%
oOh!media	2.72%
Silver Lake Resources	2.58%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	80.28%	90%	80-100%
New Zealand Equities	4.21%	0%	0-20%
Cash and Other #	15.51%	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.



Platform Availability

Asgard, BT Panorama, HUB24, IOOF, Macquarie Wrap, Mason Stevens, mFund, Netwealth, Xplore Wealth Ltd

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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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