

# Milford Dynamic Small Companies Fund

## August 2022

### Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Michael Higgins**  
Portfolio Manager

The Dynamic Small Companies Fund returned 1.4% for the month, outperforming the S&P/ASX Small Ordinaries benchmark by 0.8%. Reporting season was the focus over the month, with nearly all portfolio companies presenting financial results. Overall, we were pleased with our stock picking in what was a mixed season for small caps with 1 in 5 companies having FY23 EPS cuts of >10%.

Performance was led by global patent attorney IPH which rallied (+11.7%) following the acquisition of leading Canadian firm Smart & Biggar. The acquisition not only establishes a new growth corridor for future consolidation, but the added scale opens the door for some attractive ancillary opportunities. IPH is a key defensive position in the Fund, with earnings also leveraged to a declining AUD.

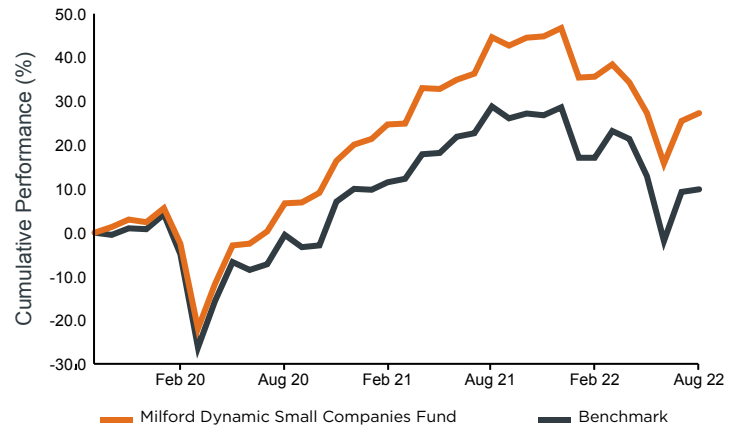
Diversified miner IGO rallied (+21.7%) following one of the better quarterlies of reporting season. IGO continue to manage inflation and Covid pressures better than most in WA. The take up of electric vehicles is the key demand driver and there is growing evidence that this is once again accelerating in China and Europe. IGO remains one of our preferred mining exposures.

Fuel retailer Viva Energy Group's (+12.0%) financial results indicated total volumes had rebounded nicely in line with the domestic reopening. Global refining margins are also improving, reflecting the recovery in global fuel demand allowing better profits in their Geelong refinery after several tough years. The new Government support measures should ensure the refinery can avoid a lot of negative earnings in the future and we believe refining margins will remain structurally higher through the cycle given limited global refining capacity.

Detractors included Collins Foods (-5.1%) which drifted on no obvious news and Evolution Mining (-7.8%) also declined on soft gold prices and inflation pressures.

There was a broad degree of caution in company outlook statements, and somewhat unsurprisingly, a lack of future earnings guidance. In our view, economic and behavioural impacts of rate rises will start to emerge over the coming quarters, particularly as the negative wealth effect from falling house prices starts to pinch. We enter the back end of the year with a diversified portfolio given the wide array of outcomes. As we await more comfort on the economic outlook, we continue to build out a long shopping list of growth businesses to add to the portfolio once they reach more compelling valuations in the coming months.

### Investment Performance to August 2022\*



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

### Key Fund Facts

<b>Objective</b>	The fund targets outperformance of the S&P/ASX Small Ordinaries (TR) Index over the minimum recommended investment timeframe (net of fees)
<b>Description</b>	Primarily invests in small to mid-cap Australian equities
<b>Benchmark</b>	S&P/ASX Small Ordinaries (TR) Index
<b>APIR</b>	ETL6978AU
<b>mFund Code</b>	MFA02
<b>Redemption Price as at 31 Aug</b>	\$1.1698
<b>NAV as at 31 Aug</b>	\$42.3 Million
<b>Inception Date</b>	October 2019
<b>Minimum Investment</b>	\$1,000
<b>Recommended Investment Timeframe</b>	8 years +
<b>Buy-sell Spread</b>	+/-0.30%
<b>Entry/Exit Fee</b>	Nil
<b>Management Fee</b>	1.23%
<b>Performance Fee</b>	20.50% p.a. of returns above the benchmark subject to achieving the high watermark.
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency</b>	Biannual

## Investment Performance to August 2022\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Dynamic Small Companies Fund	1.41%	-6.09%	-11.98%	-	-	8.62%
Milford Dynamic Fund (Strategy)***	1.41%	-6.09%	-11.98%	8.96%	11.64%	11.41%
Benchmark	0.58%	-6.08%	-14.66%	4.10%	6.85%	6.39%
Over/Underperformance	0.83%	-0.01%	2.68%	4.86%	4.79%	5.02%

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 Small Companies Fund 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 Small Companies Fund.

## Top Security Holdings

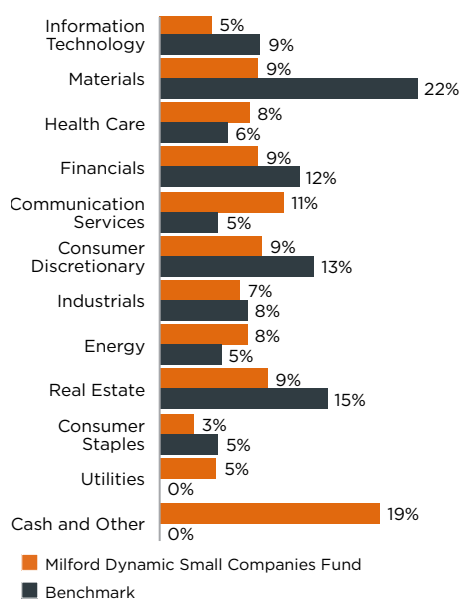
Holdings	% of Fund
Contact Energy	4.41%
IPH	4.01%
Collins Foods	4.00%
oOh!media	3.00%
Carsales.Com	2.97%
Waypoint REIT	2.94%
Viva Energy Group	2.85%
Resmed	2.76%
Macquarie Telecom Group	2.26%
GQG Partners	2.23%

## Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	76.35%	90.0%	0-100%
New Zealand Equities	4.51%	0%	0-20%
Cash and Other #	19.14%	10.0%	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, MLC, MyNorth, Netwealth, PowerWrap, Praemium, Xplore Wealth Ltd

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Milford Dynamic Small Companies Fund's Target Market Determination is available at <https://milfordasset.com.au/documents-and-forms>. 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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