

Milford Dynamic Small Companies Fund

September 2022

Portfolio Managers



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Portfolio Manager



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Portfolio Manager

Equity markets sold-off in September as a response to stubborn inflation data which resulted in a large sell-off in bonds. The S&P/ASX Small Ordinaries Index fell 11.2% for the month against the Dynamic Small Companies Fund's fall of 7.2%. Our cautious positioning and elevated cash position provided some resistance to the sell-off, with the downside capture of 59%. We were pleased to officially lock in three-year inception performance of 5.7% p.a. against the benchmark loss of -0.8% p.a. The month also marks the nine-year inception performance of the same strategy which has returned 10.4% p.a. against the benchmark return of 4.9% p.a. The Fund strategy has captured over 100% of the market-upside and ~60% of the market-downside since inception.

Performance was led by Neuren Pharmaceuticals, which rallied 13.3% on index inclusion and news they have been granted Priority Review by the FDA. Its drug Trofinetide treats Rett Syndrome - a rare neurological disease predominantly affecting females. We believe the probability of a successful approval is high and are excited at commercialisation prospects. Additional early-stage drugs in the portfolio treating markets far larger than Rett Syndrome provide further valuation optionality.

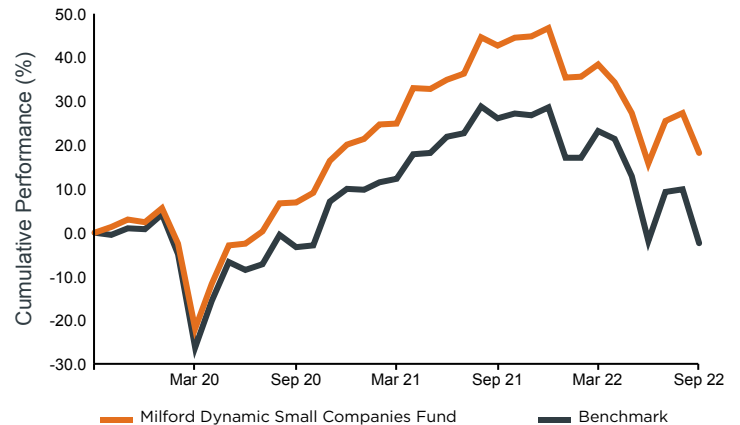
Sleep Apnea global leader ResMed provides a defensive exposure for the portfolio (+5.3%) and continues to benefit from product recalls from competitors. Philips recalled a sleep product over health risks early in the month creating an immediate opportunity for ResMed. We think the delivery of resilient earnings at the upcoming result could be a near term catalyst. Our industry channel checks suggest that there has been a boom in ResMed volumes being supplied to their distributors, on the back of the recall.

Diversified miner IGO rallied 2.4%. 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.

Detractors included stalwarts CarSales (-15.4%) and Collins Foods (-11.2%), both companies weren't immune to the broader sell-off.

Our broader view is unchanged, we believe 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. As this equity weakness continues, we will look to establish longer term buy and hold opportunities at attractive prices. We have selectively started this process given our elevated cash position, however only in moderate size. We enter the back end of the year with a diversified portfolio given the wide array of outcomes.

Investment Performance to September 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 30 Sep	\$1.0862
NAV as at 30 Sep	\$40.7 Million
Inception Date	October 2019
Minimum Investment	\$1,000
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

Milford Dynamic Small Companies Fund September 2022

Investment Performance to September 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Dynamic Small Companies Fund	-7.15%	-14.57%	-17.20%	5.73%	-	5.73%
Milford Dynamic Fund (Strategy) ***	-7.15%	-14.57%	-17.20%	5.73%	9.28%	10.38%
Benchmark	-11.20%	-20.76%	-22.56%	-0.80%	4.07%	4.94%
Over/Underperformance	4.05%	6.19%	5.36%	6.53%	5.21%	5.44%

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 Small Companies Fund 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

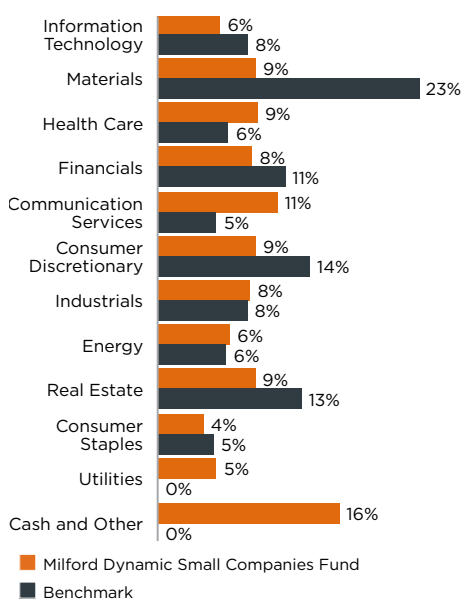
Holdings	% of Fund
IPH	4.47%
Contact Energy	4.44%
Viva Energy Group	4.08%
Collins Foods	3.83%
Resmed	3.61%
Carsales.Com	3.21%
Waypoint REIT	2.95%
oOh!media	2.93%
EBOS Group	2.31%
Metcash	2.26%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	78.28%	90.0%	0-100%
New Zealand Equities	5.45%	0%	0-20%
Cash and Other #	16.27%	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. During the month, Mainstream Fund Services Pty Ltd replaced National Australia Bank Limited as the provider of administrator services for the Fund. There have been no other 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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