

Milford Dynamic Small Companies Fund

October 2022



Portfolio Managers



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Portfolio Manager



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Global equity markets bounced in October on the prospect that peak inflation and a weaker US reporting season will encourage a Federal Reserve pivot. The Dynamic Small Companies Fund returned 5.5% for the month, behind the S&P/ASX Small Ordinaries which rallied 6.5%. Overall, we were pleased that our stock picking kept us within reach, despite a far less risky portfolio.

Performance was led by service station and convenience retailer Waypoint REIT (WPR) which rallied 15.2%. WPR has been one of our preferred defensive exposures with an under-gearred balance sheet, asset divestment programme underway and active buyback. The 6% dividend yield is still attractive in this environment, albeit less so post the recent rally.

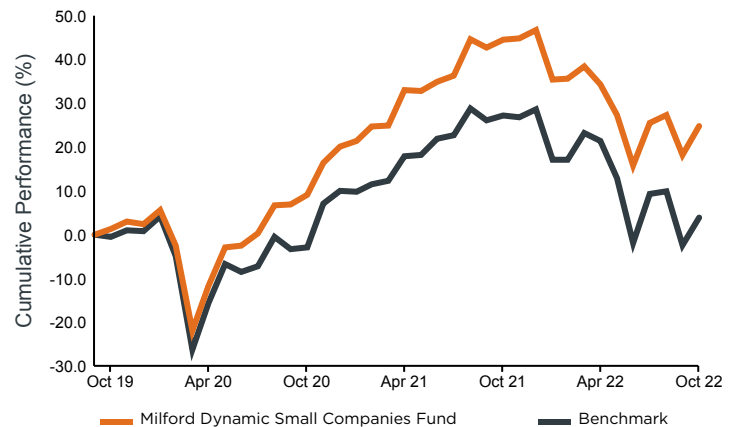
Fuel retailer Viva Energy Group's (+8.4%) quarterly results indicated volumes remain robust in line with the domestic reopening. Global refining margins are also improving, reflecting the recovery in global fuel demand allowing better profits in its Geelong refinery after several tough years. Viva has something that no other refiner has globally, a pseudo-floor in refining margins provided by a contract with the Australian government. Energy security is so critical that the government legislated in 2021 to ensure the country doesn't become 100 per cent dependent on imported fuel. This has improved the future quality and resiliency of earnings which is underappreciated by the market.

Investment platform HUB24 (+21.5%) reported excellent quarterly results with strong flows despite the market volatility. Sustained inflows strengthen our view that HUB is a structural winner, as financial advisers migrate away from the major banks, favouring smaller, more nimble advice firms which use HUB. HUB is also a beneficiary of higher cash rates, providing some offset to potentially slower flows from a volatile environment.

Detractors included gold miner Silver Lake Resources (-5.9%) and Macquarie Telecom (-3.9%), which struggled to keep up with buoyant markets.

Our decision over the past two months to selectively establish longer-term buy and hold opportunities at attractive prices has worked well. This process has only just begun and is heavily predicated on valuation. 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. We enter the back-end of the year with a diversified portfolio given the wide array of potential outcomes.

Investment Performance to October 2022¹



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 Oct | \$1.1464 |
| Fund Size* | \$44.9 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 |

*The Fund Size represents the total assets of the fund

Investment Performance to October 2022²

| | 1 Month | 6 Months | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.) ³ |
|--|---------|----------|---------|----------------|----------------|-------------------------------------|
| Milford Dynamic Small Companies Fund | 5.54% | -7.13% | -13.65% | 7.18% | - | - |
| Milford Dynamic Fund (Strategy) ⁴ | 5.54% | -7.13% | -13.65% | 7.18% | 9.42% | 10.94% |
| Benchmark | 6.46% | -14.36% | -18.31% | 1.46% | 4.16% | 5.62% |
| Over/Underperformance | -0.92% | 7.23% | 4.66% | 5.72% | 5.26% | 5.32% |

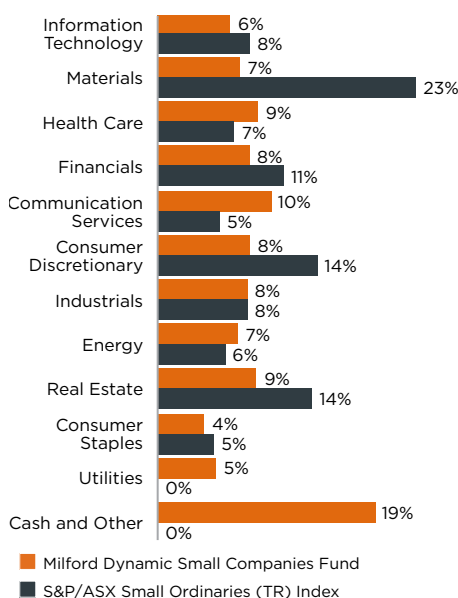
Top Security Holdings

| Holdings | % of Fund |
|------------------------|-----------|
| Viva Energy Group | 4.36% |
| IPH | 4.13% |
| Collins Foods | 3.79% |
| Contact Energy | 3.68% |
| Resmed | 3.35% |
| Waypoint REIT | 3.01% |
| Carsales.Com | 2.95% |
| oOh!media | 2.79% |
| EBOS Group | 2.26% |
| Neuren Pharmaceuticals | 2.19% |

Current Asset Allocation

| | Actual | Neutral | Maximum Range |
|-----------------------------|--------|---------|---------------|
| Australian Equities | 76.00% | 90.0% | 0-100% |
| New Zealand Equities | 5.03% | 0% | 0-20% |
| Cash and Other ⁵ | 18.97% | 10.0% | 0-20% |

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, Xplora Wealth Ltd

1. Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions. **2.** 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. **3.** Inception date of the Milford Dynamic Fund (Strategy) is 01 October 2013. **4.** 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. **5.** Cash and Other reported above is adjusted to reflect the Fund's notional positions.

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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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