

Milford Dynamic Small Companies Fund

December 2022



Portfolio Managers



William Curtayne
Portfolio Manager



Michael Higgins
Portfolio Manager

While 2022 was a weak year for Australian small cap equities, markets have generally held up well in the second half of the year. The Dynamic Small Companies Fund returned -2.6% for the month, ahead of the S&P/ASX Small Ordinaries which fell 3.7%.

We were pleased to pass our three-year performance anniversary for the Fund, having delivered a 24.5% cumulative return since inception in October 2019 against the benchmark return of 5.0%. The underlying Dynamic strategy, since inception more than nine years ago, has returned 10.7% p.a. against the benchmark return of 5.6% p.a.

Gold was one of the few sectors which collectively made a positive contribution for the month. Evolution Mining (+10.8%), and Northern Star (+2.9%) were two portfolio companies that performed well reflecting heightened uncertainty from macro-economic and geopolitical pressures. While our gold exposure has been a source of frustration over 2022, we remain constructive in the near term as safe-haven demand builds.

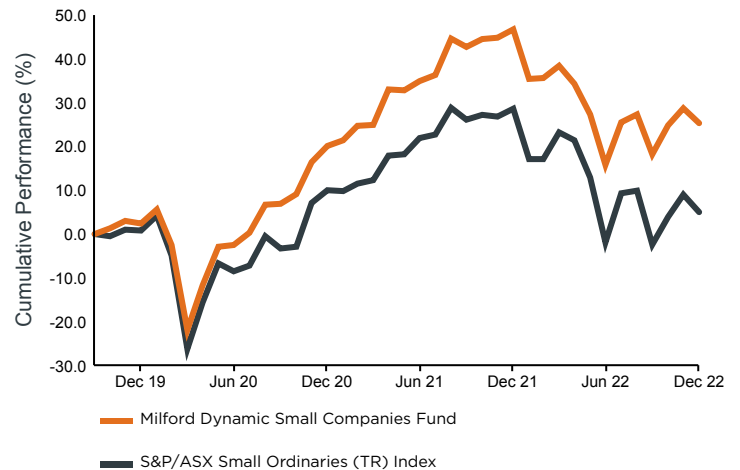
Pharmaceutical distributor EBOS Group (+8.1%) continued its strong form. It has rallied over 20% for the quarter following its annual investor day and inclusion in the MSCI Mid Cap index which has driven technical buying. While we continue to like its strong position in the Australian pharmaceutical distribution industry, we have taken profits over the past few months.

Smartpay's (+7.5%) momentum continued following the release of its first half results last month which showed very strong revenue and earnings growth. Smartpay is a small terminal operator growing rapidly in a large addressable market.

Laggards included independent investment platform Netwealth (-12.0%) and sleep apnoea global leader ResMed (-7.4%). We consider both high quality companies trading at reasonable valuations and able to grow earnings through the economic cycle.

We remain conservatively positioned from a Fund perspective as we enter the new year. We believe the economy will likely slow at an increasing rate over 2023. While the property market has responded quickly to the RBA's monetary tightening, the impact on the broader economy will take longer. As this equity weakness continues, we will look to establish longer term buy and hold opportunities in quality businesses at attractive valuations. We have selectively started this process given our elevated cash position, however only in moderate size.

Investment Performance to December 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 Dec	\$1.1519
Fund Size*	\$47.1 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	20.5% 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 December 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	-2.62%	8.21%	-14.58%	6.98%	-	-
Milford Dynamic Fund (Strategy) ⁴	-2.62%	8.21%	-14.58%	6.98%	8.36%	10.79%
Benchmark	-3.73%	7.03%	-18.38%	1.38%	2.92%	5.63%
Over/Underperformance	1.11%	1.18%	3.80%	5.60%	5.44%	5.16%

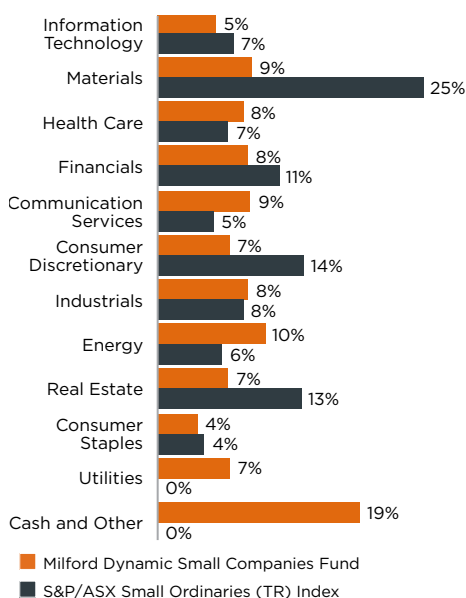
Top Security Holdings

Holdings	% of Fund
Viva Energy Group	4.77%
IPH	3.59%
Contact Energy	3.52%
Origin Energy	3.16%
Resmed	3.01%
Collins Foods	2.87%
Waypoint REIT	2.72%
Seven Group	2.56%
oOh!media	2.54%
Monadelphous	2.29%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	76.19%	90%	0-100%
New Zealand Equities	4.99%	0%	0-20%
Cash and Other ⁵	18.82%	10%	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.



Milford Dynamic Small Companies Fund December 2022

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. Returns greater than one year are annualised. **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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