

Milford Australian Absolute Growth Fund - R Class

August 2021



Portfolio Managers



William Curtayne
Portfolio Manager



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Portfolio Manager

August was yet another positive month for equities and the Australian Absolute Growth Fund returned 2.8% bringing the returns over the last 12 months to 25.0%. The month was of course dominated by result releases from New Zealand and Australian companies. Overall, we saw strong results from companies but unsurprisingly some uncertainty on the outlook given the COVID-19 lockdowns in much of Australasia. Continually rising shipping costs were singled out as a key headwind for many businesses - some will be able to pass these costs on through price rises, while others will suffer some margins declines. Wage pressure is being felt in the mining industry but is only just beginning to show up in the broader economy. These factors all combine for a good stock picking environment going forward.

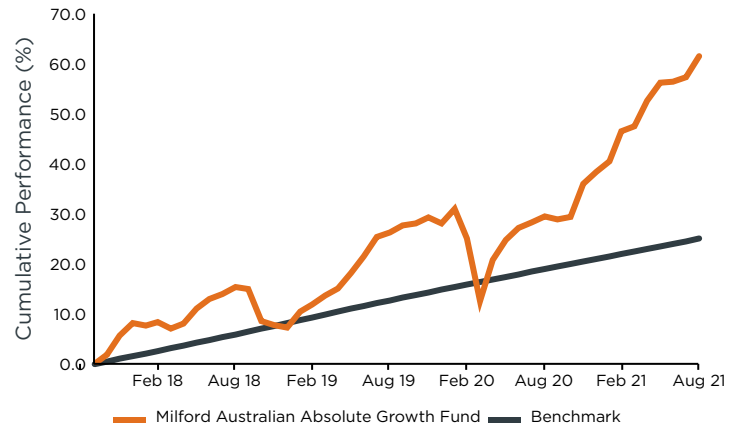
DGL was once again a highlight of the month. The dangerous goods logistics and storage business reported a strong result as customers move away from just-in-time inventory management and store more goods domestically with DGL given concerns over supply chains. We believe there is a structural shift where the COVID-19 pandemic and tensions with China will see a higher level of domestic inventories going forward.

Telstra has been a counter consensus pick of ours over the last year and it delivered its best result in over 5 years. The business is now seeing some pricing growth and stronger cash flows which has been reflected in its share price that is now up 41.8% over the last 12 months.

Our banks produced gains over the month with NAB and Westpac up 6.9% and 5.3% respectively. With the COVID-19 lockdown alleviating any pressure on the RBA to bring forward its planned cash rate increases, we took this opportunity to shift some money out of banks and into some resources companies which pulled back in August. The iron ore price fell sharply as a combination of a slowing Chinese economy, seasonal weakness, and steel manufacturing curbs ahead of the Beijing Winter Olympics in February caught up with the iron ore market. BHP was particularly weak as it also announced its intention to delist its Plc structure from the London Stock Exchange which resulted in technical weakness on the ASX. We took this opportunity to buy back into BHP after we had significantly reduced our holdings of BHP and other miners back in June.

Going forward we believe the global economy has good economic strength but there will be volatility due to the Delta variant. Positioning in equities remains very high which is unlikely to upset this bull market while sentiment is positive but at some point, will cause volatility when a negative surprise occurs.

Investment Performance to August 2021*



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

Key Fund Facts

Objective

Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital over rolling three-year periods.

Description

A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging.

Benchmark	RBA Cash Rate + 5% p.a.
APIR	ETL1090AU
mFund Code	MFA04
Redemption Price as at 31 Aug	\$1.0329
NAV as at 31 Aug	\$219.2 Million
Inception Date	October 2017
Minimum Investment	\$20,000
Recommended Investment Timeframe	5 years +
Buy-sell Spread	+/-0.20%
Entry/Exit Fee	Nil
Management Fee	1.05%
Performance Fee	15.35% p.a. of returns above the benchmark subject to achieving the high watermark.
Fund Pricing	Daily
Distribution Frequency	Biannual

Milford Australian Absolute Growth Fund August 2021

Investment Performance to August 2021*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Australian Absolute Growth Fund [†]	2.81%	10.49%	24.96%	11.92%	-	13.09%
Benchmark	0.42%	2.54%	5.12%	5.68%	-	5.88%
Over/Underperformance	2.39%	7.95%	19.84%	6.24%	-	7.21%
S&P/ASX 200 (TR) Index	2.50%	14.96%	28.15%	9.87%	-	11.49%
Over/Underperformance	0.31%	-4.47%	-3.19%	2.05%	-	1.60%

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 Fund is 02 October 2017.

[†] The performance stated combines the performance of the Australian Absolute Growth Fund - W Class from 2 October 2017 to 30 June 2021, and the performance of the Milford Australian Absolute Growth Fund - R Class thereafter.

Top Security Holdings

Holdings	% of Fund
NAB	5.83%
BHP	5.47%
Telstra	4.32%
CSL	3.60%
Virgin Money	3.39%
Evolution Mining	3.08%
Bank of Queensland	2.90%
Westpac	2.89%
Sydney Airport	2.52%
Charter Hall Retail	2.50%

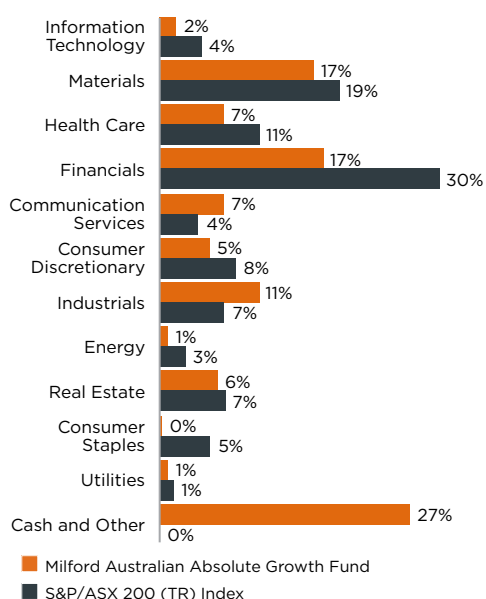
Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities*	69.46%	75-85%	0-100%
International Equities	3.72%	0-10%	0-30%
Cash and Other #	26.82%	0-10%	0-100%

* Includes New Zealand Equities

Effective Cash reported above is adjusted to reflect the Fund's notional positions.

Sector Allocation



Ratings



Awards



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.



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