

# Milford Australian Absolute Growth Fund - R Class

August 2023



## Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Wayne Gentle**  
Portfolio Manager



**Jason Kururangi**  
Co-Portfolio Manager

August was an eventful month, with Australian result releases and some market volatility that saw a significant market pullback before a recovery later in the month. The Fund was down 1.0% for the month, slightly behind the ASX 200 return of -0.7%.

A couple of poor results offset the contribution of a number of strong results. Iress fell 38.3% after reporting a disappointing result and outlook. Underlying costs are rising faster than expected, which means the net cost-out benefit we had hoped for has decreased. While we believe Australian/NZ assets will be attractive to a strategic buyer, rising costs and a poor balance sheet has materially reduced our confidence in management's ability to realise value. The size of the Fund's position is very modest and remains under review.

ResMed fell 24.0% also on slower revenue growth and some margin weakness. This was coupled with euphoria surrounding new diabetes and weight loss drugs and their ability to disrupt the medical technology industry.

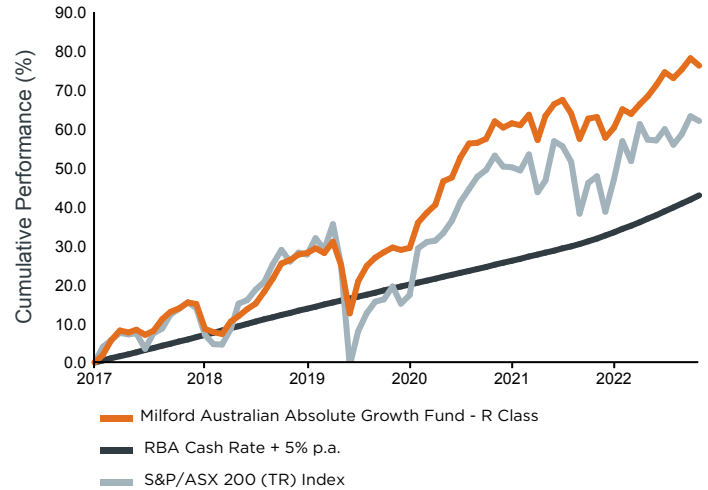
On the positive side we had many good results. Highlights included Carsales (+15.6%), Goodman Group (+13.7%), Monadelphous (+7.7%) and Universal Store (+6.1%) among others.

Through August, there were several companies that we either established new positions in or took much larger positions following weakness post their results. Telstra and Suncorp are a couple of examples.

Our resources sector weighting remains what we would consider neutral, given we can see both upside and downside risks to Chinese growth from here. With the weak Australian dollar, some miners are now producing quite attractive cash flows at current commodity prices.

Over the month, our long equity position was maintained around 72%, while we have some small derivative protection on top. There was a broad degree of caution in company outlook statements and, somewhat unsurprisingly, a lack of future earnings guidance. In our view, the long lag effects of monetary policy mean that economic and behavioural impacts are still ahead of us and hard to quantify. The portfolio is balanced for the wide range 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 2023<sup>1</sup>



## Key Fund Facts

<b>Objective</b>	Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital over rolling three-year periods.
<b>Description</b>	A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging.
<b>Benchmark</b>	RBA Cash Rate + 5% p.a.
<b>APIR</b>	ETL1090AU
<b>Redemption Price as at 31 Aug</b>	\$0.9377
<b>Fund Size*</b>	\$278.9 Million
<b>Inception Date</b>	October 2017
<b>Minimum Investment</b>	\$1,000
<b>Recommended Investment Timeframe</b>	7 years +
<b>Buy-sell Spread</b>	+/-0.20%
<b>Entry/Exit Fee</b>	Nil
<b>Management Fee</b>	1.05%
<b>Performance Fee</b>	15.35% p.a. of returns above the benchmark subject to achieving the high watermark.
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency</b>	Biannual

\*The Fund Size represents the total assets of the fund

## Investment Performance to August 2023<sup>2</sup>

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.) <sup>3</sup>
Milford Australian Absolute Growth Fund - R Class <sup>4</sup>	-1.04%	4.69%	8.09%	10.81%	8.83%	10.05%
Benchmark	0.74%	4.38%	8.36%	6.29%	6.16%	6.22%
Over/Underperformance	-1.78%	0.31%	-0.27%	4.52%	2.67%	3.83%
S&P/ASX 200 (TR) Index	-0.73%	3.00%	9.56%	10.69%	7.01%	8.50%
Over/Underperformance	-0.31%	1.69%	-1.47%	0.12%	1.82%	1.55%

## Top Security Holdings

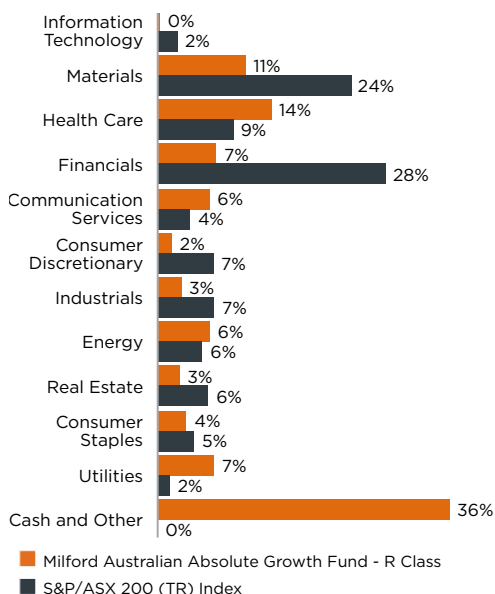
Holdings	% of Fund
CSL	5.96%
Telstra	5.68%
Origin Energy	4.76%
NAB	4.17%
BHP	4.05%
Santos	2.90%
Suncorp Group	2.79%
Teck Resources	2.74%
Rio Tinto	2.49%
United Malt	2.46%

## Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	64.90%	75-85%	0-100%
Derivatives	-8.18%	NA	NA <sup>^</sup>
International Equities	7.18%	0-10%	0-20%
Cash and Other	27.95%	0-20%	0-50%

<sup>^</sup> refer to PDS for limits on derivative exposure

## Sector Allocation



## Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report. The custody services for the fund transitioned from National Australia Bank to HSBC Bank Australia Limited since the last monthly report. There have been no changes to the individuals playing a key role in investment since the last monthly report.

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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. Returns greater than one year are annualised. 3. Inception date of the Fund is 02 October 2017. 4. 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.

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Milford Australian Absolute Growth Fund - R Class'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.