

# Milford Australian Absolute Growth Fund - R Class

## December 2022



### Portfolio Managers



**William Curstayne**  
Portfolio Manager



**Wayne Gentle**  
Portfolio Manager



**Jason Kururangi**  
Co-Portfolio Manager

The Australian Absolute Growth Fund ended 2022 with a return of 0.1% for the year. While disappointing to not generate higher returns, the Fund largely delivered on our ambition to minimise capital losses in a difficult year. We invested defensively over the year with some good profits made in resources and energy and some key stock picks such as Neuren Pharmaceuticals. Our large positions in healthcare and staples largely held value while we missed out on a good opportunity to make money on the banks' rally in the third quarter, having sold our positions earlier in the year. We stand by our cautious view on the bank sector this year.

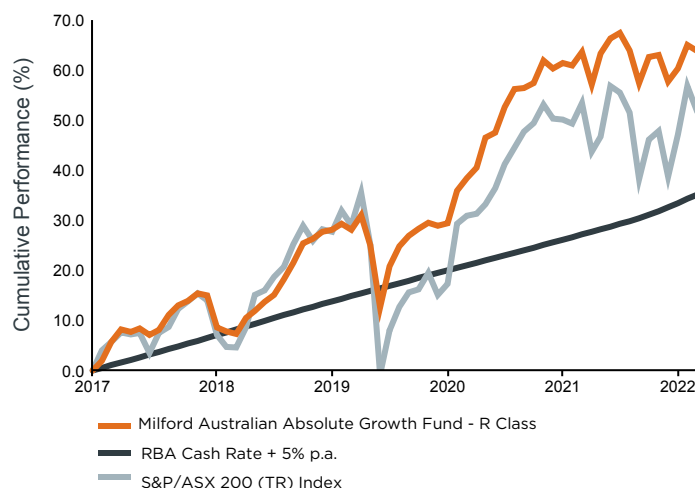
For December, the Fund returned -0.7% while the ASX 200 index fell 3.2%. Markets consolidated weaker again, after a strong couple of months, on the back of cooler inflation data.

Our strongest performers over the month were New Zealand founded businesses EBOS (+7.2%) and Smartpay (+7.5%). Key laggard over the month was ResMed (-7.4%) which we consider a high-quality company with defensive earnings and trading at a reasonable valuation.

A couple of our larger positions are currently under takeover offers, OZ minerals and Origin Energy. OZ Minerals is a low-risk takeover after the company agreed a scheme of implementation with BHP in December, meaning we will get a small but low-risk return to the completion date in March/April. Origin is a position we owned prior to it receiving a takeover offer of \$9 per share. It is currently trading at a substantial discount due to uncertainty around whether the takeover will proceed. We see the risk/reward of this as attractive, given the possibility of completion, and, in any event, believe the company is a good long-term position if the takeover does not proceed.

The drivers of markets in 2022 were inflation and interest rates. We believe the main driver in 2023 will be recession fears and profits. Whether or not a recession occurs, we anticipate lower profits in 2023 in Australia and globally due to slowing revenues and higher operating and debt costs. Current equity valuations remain high considering this profit outlook, leading us to maintain our cautious positioning and weight towards companies with non-cyclical earnings. As the earnings weakness progresses, we will look to establish longer term positions in quality businesses at attractive valuations.

### Investment Performance to December 2022<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 Dec</b>	\$0.9167
<b>Fund Size*</b>	\$191.7 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 December 2022<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>	-0.70%	4.07%	0.14%	8.55%	8.65%	9.86%
RBA Cash Rate + 5% p.a.	0.66%	3.62%	6.28%	5.57%	5.87%	5.91%
Over/Underperformance	-1.36%	0.45%	-6.14%	2.98%	2.78%	3.95%
S&P/ASX 200 (TR) Index	-3.21%	9.82%	-1.08%	5.55%	7.11%	8.27%
Over/Underperformance	2.51%	-5.75%	1.22%	3.00%	1.54%	1.59%

## Top Security Holdings

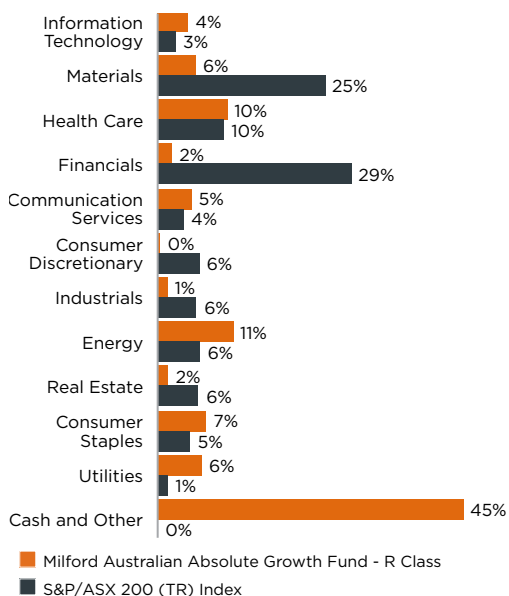
Holdings	% of Fund
OZ Minerals	5.04%
CSL	4.87%
Telstra	4.72%
Ampol	4.60%
Santos	4.58%
Origin Energy	4.57%
Woolworths	3.85%
Coles	3.29%
Computershare	3.02%
Resmed	2.68%

## Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities <sup>*</sup>	54.26%	75-85%	0-100%
International Equities	0.64%	0-10%	0-20%
Cash and Other <sup>5</sup>	45.10%	0-20%	0-50%

<sup>\*</sup> Includes New Zealand Equities

## Sector Allocation



## 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.

**1.** Cumulative performance since inception, after fund fees but before tax, 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 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. **5.** Cash and Other reported above is adjusted to reflect the Fund's notional positions.

Disclaimer: Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the responsible Entity for the Milford Australian Absolute Growth Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This Monthly Fact Sheet has been prepared by Milford Australia Pty Ltd. as the Investment Manager, to provide you with general information only. In preparing this Monthly Fact Sheet, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Milford Australia Pty Ltd., Equity Trustees nor any of their related parties, employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance is not a reliable indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

Milford Australian Absolute Growth 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.