

Milford Australian Absolute Growth Fund - R Class

December 2023



Portfolio Managers



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Portfolio Manager



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December started with a bang as November's risk-on rally continued into the close of the year. Further evidence of cooling inflation continued to see pressure on longer term interest rates and support company valuations. This was then accentuated by less push back from the Federal Reserve around the potential for and timing of rate cuts, spurring markets forward. Against this backdrop, the Fund returned 6.5% for the month, participating in most of the 7.3% ASX 200 rally.

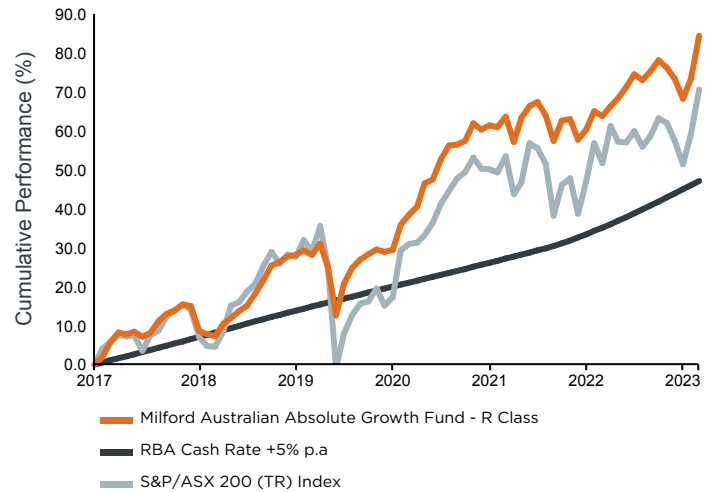
Our strong performance over the month was driven by increasing our market exposure early in the month coupled with strong stock selection through the month, before reducing exposure into the end of the year. We are pleased that this brought fund performance for the calendar year of 12.6%, and compared favourably to a strong market with the ASX 200 returns of 12.4%, delivering 0.2% outperformance.

Stock selection was led by Neuren Pharmaceuticals, which rallied 61.1% following the successful readout of results for its NNZ-2591 drug which treats the debilitating Phelan-McDermid Syndrome. The consistency of the results, efficacy and benign safety profile exceeded our high expectations. Viva Energy also rallied 13.3% on the ACCC (competition regulator) approval of the acquisition of OTR. We view the deal as transformative for Viva's retail ambitions. Generally, resource stocks also traded well in December and in particular iron ore on the back of seasonal restocking, low port inventories, resilient steel production and improving sentiment around China stimulus continuing to support iron ore prices.

Given the strong rally over November and December we materially reduced our equity exposure into the end of December. From our perspective the risk/reward proposition looked far less compelling. We continue to expect volatility in markets as we navigate shifting monetary policy settings amidst a changing inflation and growth backdrop.

We will continue to actively manage our equity exposure and stock selection, given we remain broadly constructive on the economic backdrop and are continuing to search for opportunities to deploy cash and add to our well diversified portfolio.

Investment Performance to December 2023¹



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
Redemption Price as at 31 Dec	\$0.9815
Fund Size*	\$373.8 Million
Inception Date	October 2017
Minimum Investment	\$1,000
Recommended Investment Timeframe	7 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

*The Fund Size represents the total assets of the fund

Investment Performance to December 2023²

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.) ³
Milford Australian Absolute Growth Fund - R Class ⁴	6.45%	5.29%	12.57%	10.07%	11.45%	10.29%
Benchmark	0.76%	4.52%	8.87%	6.74%	6.34%	6.38%
Over/Underperformance	5.69%	0.77%	3.70%	3.33%	5.11%	3.91%
S&P/ASX 200 (TR) Index	7.26%	7.57%	12.42%	9.25%	10.28%	8.92%
Over/Underperformance	-0.81%	-2.28%	0.15%	0.82%	1.17%	1.37%

Top Security Holdings

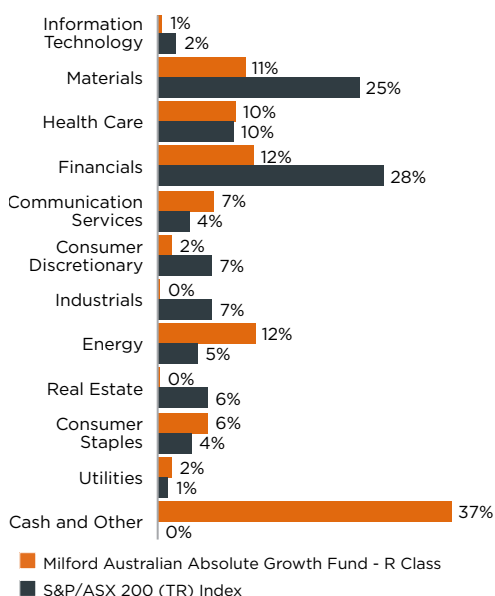
Holdings	% of Fund
Telstra	6.33%
BHP	5.03%
Santos	4.96%
Woolworths	4.82%
CSL	4.70%
NAB	4.33%
Viva Energy Group	3.30%
Rio Tinto	3.22%
Neuren Pharmaceuticals	3.03%
Newmont	2.81%

Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	66.59%	75-85%	0-100%
Derivatives	-7.96%	NA	NA [^]
International Equities	4.55%	0-10%	0-20%
Cash and Other	28.73%	0-20%	0-50%

[^] 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. 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 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. 5. Cash and Other reported above is adjusted to reflect the Fund's notional positions.

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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.