

Milford Australian Absolute Growth Fund - R Class

February 2023



Portfolio Managers



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Despite a weak month for the Australian market the Australian Absolute Growth Fund gained 1.2% in February. This was largely driven by stock picks that performed strongly over the month of Australian company earnings releases. Key winners were our insurance companies QBE and Suncorp, refiners Ampol and Viva Energy, and Origin Energy.

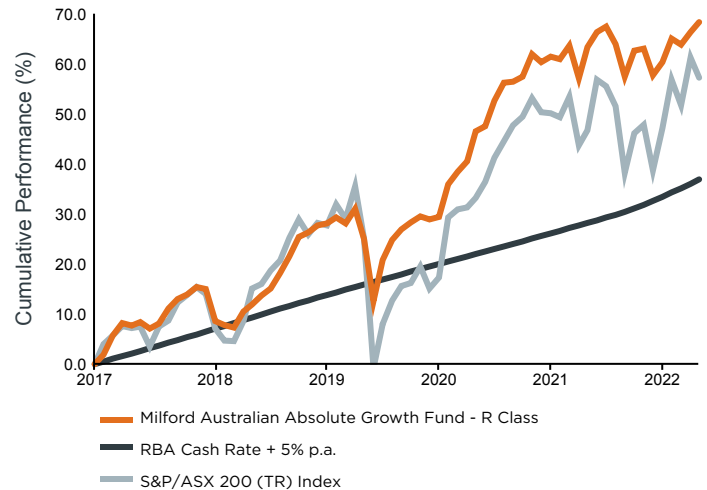
Despite the weather events in Auckland this year, large Australian insurance companies are well positioned. This is mostly due to the fact their smaller competitors are struggling to contain cost pressures, so are increasing their insurance premium rates. The larger insurers are better positioned to manage cost pressures and expected to see their profit margins expand over the coming year. The refining companies reported strong results as a global shortage of refining capacity continues to drive high profitability. While there will be volatility in refining margins, we expect the next few years to continue to be a period of elevated profitability and attractive cash returns from Ampol and Viva.

Origin Energy accepted a revised conditional takeover offer of \$8.90 (down from \$9) from the bidding consortium. This resulted in a 10% rally in Origin's share price as the market now views the takeover as likely to complete, whereas it was priced not to complete earlier in the month. We trimmed our position in Origin slightly post the rally but have maintained a significant holding.

Over the month we have added to iron ore miners, as they pulled back with a cooling in the Chinese market reopening narrative.

The Fund is 69% invested in companies, with a cash position of 31%. In addition to this, we have Put options on the ASX 200 that are equivalent to 11% protection. This leaves the Fund with a net equity position of 58% at month end. We believe this is an optimal balance of investing approximately 70% in our preferred stock picks while having protection against market downside driven by higher interest rates, declining earnings and the risk of sudden policy change from the Bank of Japan that could cause a volatility event in the near future.

Investment Performance to February 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 28 Feb	\$0.9417
Fund Size*	\$207.4 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 February 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	1.19%	3.25%	3.05%	10.42%	9.21%	10.10%
Benchmark	0.61%	3.82%	6.78%	5.70%	5.93%	5.97%
Over/Underperformance	0.58%	-0.57%	-3.73%	4.72%	3.28%	4.13%
S&P/ASX 200 (TR) Index	-2.45%	6.37%	7.16%	7.94%	7.90%	8.73%
Over/Underperformance	3.64%	-3.12%	-4.11%	2.48%	1.31%	1.37%

Top Security Holdings

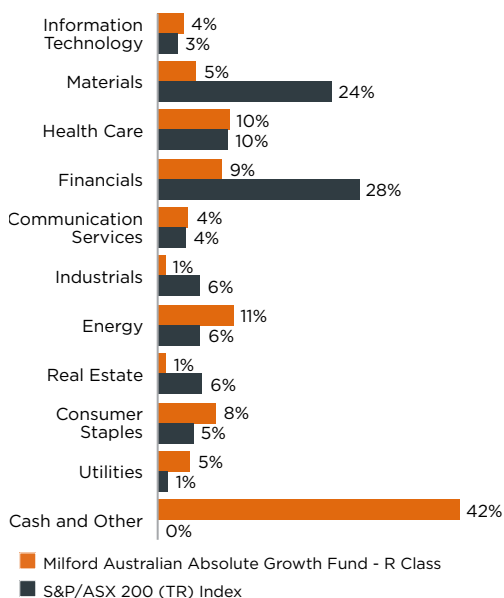
Holdings	% of Fund
Santos	5.32%
CSL	5.18%
OZ Minerals	4.67%
Telstra	4.39%
Suncorp Group	3.76%
QBE Insurance Group	3.66%
Woolworths	3.61%
Ampol	3.54%
Resmed	3.32%
Origin Energy	3.25%

Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	68.34%	75-85%	0-100%
Derivatives	-11.08%	NA	NA [^]
International Equities	0.75%	0-10%	0-20%
Cash and Other	30.51%	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. 3. Inception date of the Milford Dynamic Fund (Strategy) is 01 October 2013. 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'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.