

Milford Australian Absolute Growth Fund - R Class

January 2022



Portfolio Managers



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Portfolio Manager



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Portfolio Manager

The year has certainly got off to a rocky start with share markets falling sharply in January as investors prepare for interest rates to rise in 2022 and less accommodative financial conditions. As we have been highlighting in recent updates, we had already taken a conservative stance in the Australian Absolute Growth Fund in anticipation of this event. Despite our efforts, the Fund still declined 4.0% but this would have been much worse had we not taken defensive action late last year. The ASX 200 index fell 6.4% for the month and was at one point down over 9% before rallying back at the end of the month.

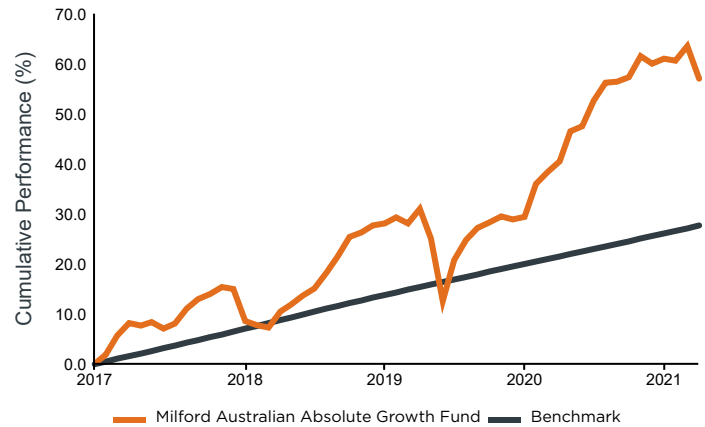
The key positioning we had in the Fund was avoiding expensive companies (many in the technology space) or speculative companies without any earnings as this is where the largest falls occurred. Our positions in energy companies and select miners also helped as they made positive returns over the month. Santos was up 13.2%, Karoon Energy 13.7% and BHP 11.7%. Virgin Money also rallied 8.2% as UK Banks are expected to benefit from higher interest rates. In addition, some short derivative positions returned a good profit as the market fell.

The Federal Reserve has put itself in a tricky situation by keeping monetary policy so loose for so long. With inflation continuing to run at high levels they are going to be forced to raise interest rates and shrink their balance sheet faster than they would have liked. This is a problem for share markets which have been boosted by loose monetary conditions and the expectation that the Federal Reserve will ease monetary policy every time the share market falls (a one way bet for investors).

Fortunately, for now economic growth is strong in Australia and company earnings are high. This means the impact should mostly be felt on the expensive companies who are overvalued when interest rates rise while reasonably priced economic sensitive companies are less impacted. We have purchased more travel and leisure exposed companies that we believe will do well post Omicron. We will keep an eye on any economic weakness appearing as a signal to reduce cyclical exposures.

Despite our view for the year remaining cautious, we did take the opportunity to pick up some companies and cover most of our short derivatives as the market fell sharply. We will look to take profits into market strength and add back derivative cover in line with our strategy to navigate this market environment for our investors. This type of market is favourable to Milford's investment approach and will create opportunities to take advantage of market volatility.

Investment Performance to January 2022*



* 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 Jan	\$0.9943
NAV as at 31 Jan	\$143.7 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

Investment Performance to January 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Australian Absolute Growth Fund	-3.97%	-0.20%	11.86%	12.45%	-	10.99%
Benchmark	0.42%	2.54%	5.10%	5.49%	-	5.80%
Over/Underperformance	-4.39%	-2.74%	6.76%	6.96%	-	5.19%
S&P/ASX 200 (TR) Index	-6.35%	-3.81%	9.44%	9.76%	-	8.72%
Over/Underperformance	2.38%	3.61%	2.42%	2.69%	-	2.27%

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.

Top Security Holdings

Holdings	% of Fund
NAB	7.37%
CSL	6.48%
Telstra	4.86%
BHP	4.56%
Sydney Airport	4.44%
Santos	4.17%
Metcash	3.71%
Woolworths	3.63%
Coles	3.03%
Virgin Money	2.68%

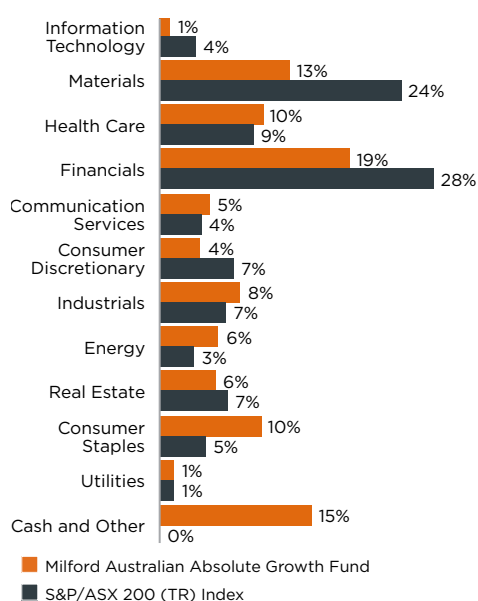
Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities	81.96%	75-85%	0-100%
International Equities	1.16%	0-10%	0-30%
Cash and Other #	15.40%	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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