

Milford Australian Absolute Growth Fund - R Class

July 2023



Portfolio Managers



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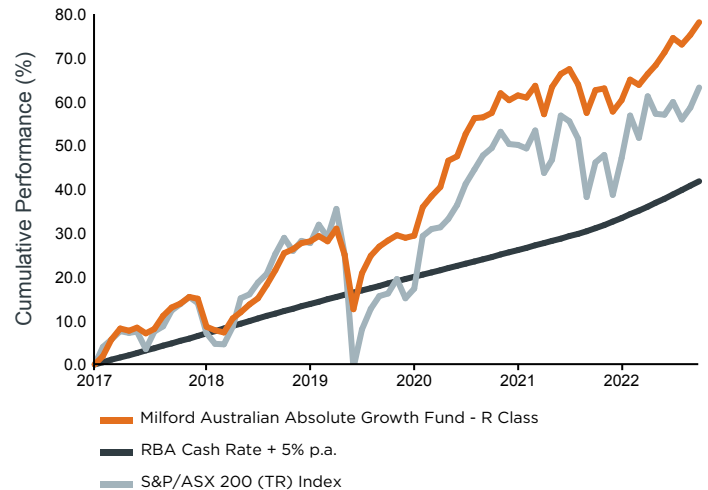
Moderating inflation numbers and robust economic growth in July saw the markets doubling down on the “goldilocks” narrative of low inflation and a soft landing. This saw equity markets globally and in Australia push higher. The Fund continued to gain ground and finished up 1.7% for the month.

Within the equity market, robust global economic data saw a rotation away from crowded defensive equities and back into unloved cyclical equities, as equity investors unwound bets on an imminent recession. This was something we had been waiting for after selling our fully valued defensive positions, such as supermarkets and Telstra, in recent months and adding to beaten up and unloved banks and cyclicals. The Australian banks were up 6 to 8% while Telstra and Woolworths Supermarket fell modestly. As this rotation plays out (which typically takes a couple of months) we will reduce bank holdings and add back to defensive equities. We have begun to take profits on banks and add back to defensive equities in moderate size already.

Other stocks that were strong over the month were our small positions in Universal Store (+20.1%), Neuren Pharmaceuticals (+6.4%) and Monadelphous Group (+16.2%). We had added to Universal Store in June as it fell following a poor trading update. The decision to buy was based on our positive medium outlook for the business and we appear to have been rewarded earlier than expected on this investment. Neuren rose after signing a new distribution deal with Acadia Pharmaceuticals for its in-development NNZ-2591 drug for Rett and Fragile X syndromes.

Markets are pricing in optimistic outcomes in the near term for inflation and economic growth. This is probably correct in the near term but becomes a more dangerous prediction as we look into 2024, where we may see broader economic weakness or another inflationary impulse in the US. We are pleased with the Fund’s upside participation as markets move higher, while still taking relatively low levels of absolute risk. In August we look forward to Australian company results, as this tends to always throw up a few opportunities to buy companies that we believe are priced incorrectly following results.

Investment Performance to July 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 Jul	\$0.9476
Fund Size*	\$259.5 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

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Investment Performance to July 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	1.65%	7.06%	9.50%	11.56%	9.34%	10.41%
Benchmark	0.74%	4.24%	8.17%	6.19%	6.12%	6.18%
Over/Underperformance	0.91%	2.82%	1.33%	5.37%	3.22%	4.23%
S&P/ASX 200 (TR) Index	2.88%	1.22%	11.67%	12.00%	7.47%	8.76%
Over/Underperformance	-1.23%	5.84%	-2.17%	-0.44%	1.87%	1.65%

Top Security Holdings

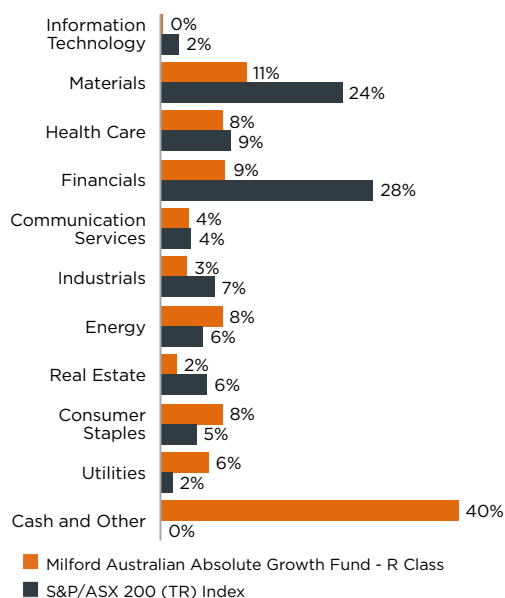
Holdings	% of Fund
NAB	7.46%
CSL	5.22%
BHP	5.01%
Origin Energy	4.76%
Santos	3.86%
Teck Resources	3.84%
Telstra	3.47%
Coles	3.23%
IPH	2.74%
Newcrest Mining	2.74%

Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	68.79%	75-85%	0-100%
Derivatives	-13.15%	NA	NA [^]
International Equities	4.56%	0-10%	0-20%
Cash and Other	26.48%	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.

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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.