

# Milford Australian Absolute Growth Fund - R Class

May 2023



## Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Wayne Gentle**  
Portfolio Manager



**Jason Kururangi**  
Co-Portfolio Manager

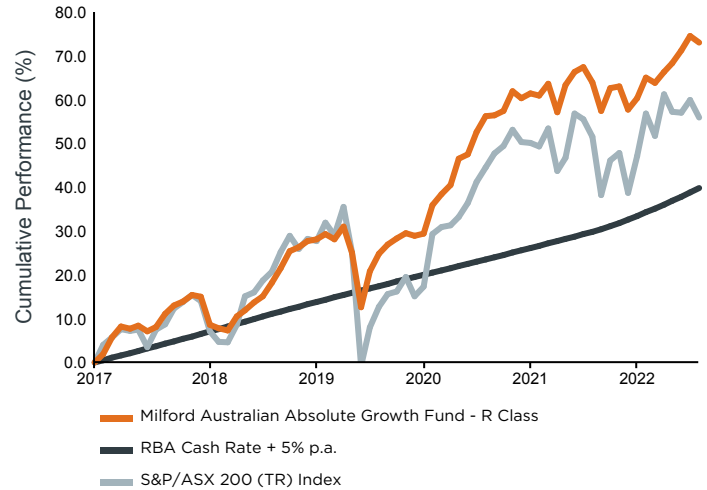
May was a reasonably quiet month with low volatility in broad markets and a slide lower in Australian shares. The Fund ended the month down -0.9%, faring better than the ASX 200 index which declined 2.5%. Australian shares underperformed global equities as economic data in China disappointed, and optimism about China's post-Covid recovery faded. This saw weakness in miners on the ASX which the Fund had fortunately reduced to a modest weighting back in April. We have begun to use this weakness to buy some mining companies back, focusing on copper producers. While copper is suffering with other metals in the near term, it has very positive longer-term fundamentals and will likely be one of the first metals to rebound sharply. We have concentrated our buying in Canadian copper producer Teck Resources.

One area of resources we had substantial exposure to has been lithium producers. Lithium prices had been in decline over the past year as battery producers destocked excess inventories. This destocking appears to have run its course, resulting in a recent recovery in lithium prices and shares of lithium miners IGO, Allkem and Pilbara Minerals. With this recovery underway, we sold out of Allkem and Pilbara Minerals over the month.

Smartpay rallied another 10.3% on a strong result and exciting opportunity to grow their New Zealand business. Other winners included insurers SUN (+6.6%) and IAG (+4.2%) and a small position in Xero which rallied 17.8%.

Our stock picking has gone superbly over the past few months, allowing the Fund to move ahead while taking relatively little risk. Our message to investors is to remain patient. The markets will be challenged over the coming months with a drain in liquidity from quantitative tightening and increased Government debt issuance, and a continued deterioration in company earnings. These headwinds are sufficient to keep us focused on capital preservation and select stock picks while waiting for safer and more attractive opportunities later in the year to invest our cash.

## Investment Performance to May 2023<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 May</b>	\$0.968
<b>Fund Size*</b>	\$239.9 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

# Milford Australian Absolute Growth Fund May 2023

## Investment Performance to May 2023<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>	-0.86%	4.85%	5.57%	11.52%	9.27%	10.17%
Benchmark	0.72%	4.11%	7.66%	5.98%	6.03%	6.09%
Over/Underperformance	-1.58%	0.74%	-2.09%	5.54%	3.24%	4.08%
S&P/ASX 200 (TR) Index	-2.53%	-0.58%	2.90%	11.43%	7.47%	8.15%
Over/Underperformance	1.67%	5.43%	2.67%	0.09%	1.80%	2.02%

## Top Security Holdings

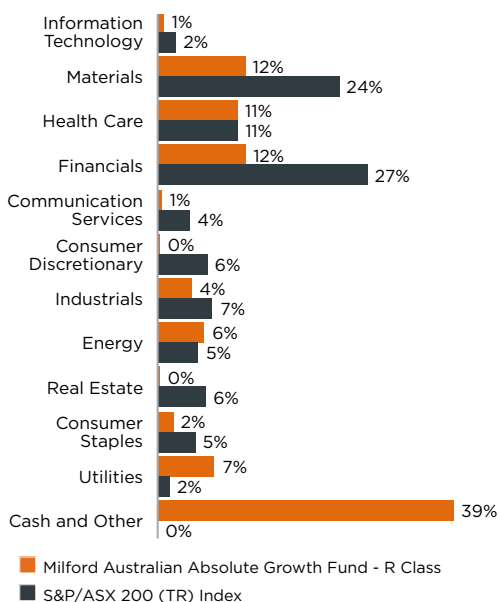
Holdings	% of Fund
CSL	7.40%
NAB	5.31%
Origin Energy	4.81%
Santos	3.87%
Teck Resources	3.82%
BHP	3.27%
Newcrest Mining	3.01%
IPH	2.96%
Neuren Pharmaceuticals	2.76%
CBA	2.43%

## Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	55.97%	75-85%	0-100%
Derivatives	-5.20%	NA	NA <sup>^</sup>
International Equities	4.86%	0-10%	0-20%
Cash and Other	38.80%	0-20%	0-50%

<sup>^</sup> 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.

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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.