

Milford Australian Absolute Growth Fund - R Class

November 2022

Portfolio Managers



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Portfolio Manager



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The share market recovery continued in November following on from a strong October. The rally was spurred on by more signs that inflation is peaking and central bankers in both the US and Australia are moving towards a “wait and see approach” to gauge the impact of rate hikes already done. This has seen bond yields back off recent highs as economic growth slows but remains reasonably resilient – a good scenario for equities. The Reserve Bank of New Zealand remains one of the few still pushing ahead with large interest rate hikes. The Australian Absolute Growth Fund returned 2.9% in November compared to 6.6% by the ASX 200 Accumulation index. Over the past year the Fund is up 2.6%.

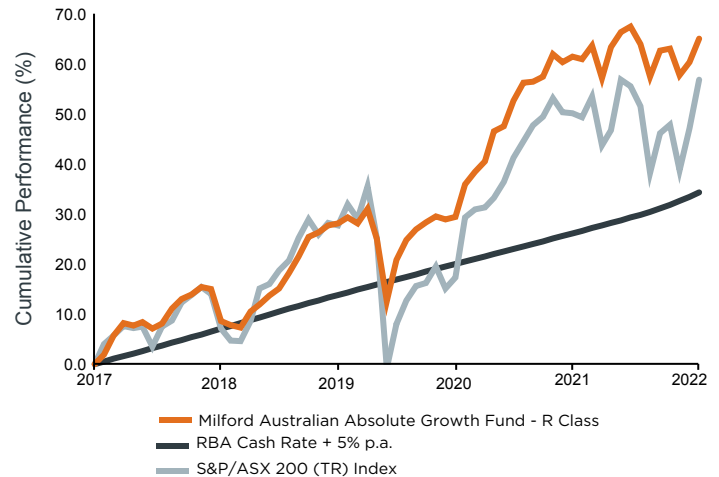
Our best performer for the month was Origin Energy which rallied 41.1% on the back of a takeover offer from a consortium at \$9.00 a share. At the time of writing, Origin remains at a significant discount to that price, trading at near \$8.00 a share as it is subject to due diligence and various approvals. We have maintained our position in the company.

Other strong performers included Smartpay (+25.9%) and Virgin Money (+25.6%) which were both up after reporting good results. Resources companies also rallied strongly in the month with gold miners reacting to lower bond yields and iron ore miners buoyed by China walking back restrictions on property and its Covid-zero policies. As this news was priced into BHP’s share price, we significantly reduced our position in the mining company.

Our worst performer for the month was Collins Foods (-18.6%) which declined after guiding to weaker margins at its result. We had fortunately reduced our investment in the business over the past couple of months.

After tactically reducing cash levels during the month, we did take the opportunity to sell equities and raise cash again later in the month. Markets have had a good recovery but, as we look forward to 2023, we see increasing economy and earnings risk for companies and as such we continue to focus on capital preservation until these risks are more fully priced into markets.

Investment Performance to November 2022¹



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 30 Nov	\$0.9232
Fund Size*	\$186.7 Million
Inception Date	October 2017
Minimum Investment	\$1,000
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

*The Fund Size represents the total assets of the fund

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Investment Performance to November 2022²

	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	2.94%	0.69%	2.57%	8.48%	9.32%	10.19%
RBA Cash Rate + 5% p.a.	0.62%	3.41%	6.03%	5.50%	5.85%	5.87%
Over/Underperformance	2.32%	-2.72%	-3.46%	2.98%	3.47%	4.32%
S&P/ASX 200 (TR) Index	6.58%	3.51%	5.00%	5.92%	8.20%	9.10%
Over/Underperformance	-3.64%	-2.82%	-2.43%	2.56%	1.12%	1.09%

Top Security Holdings

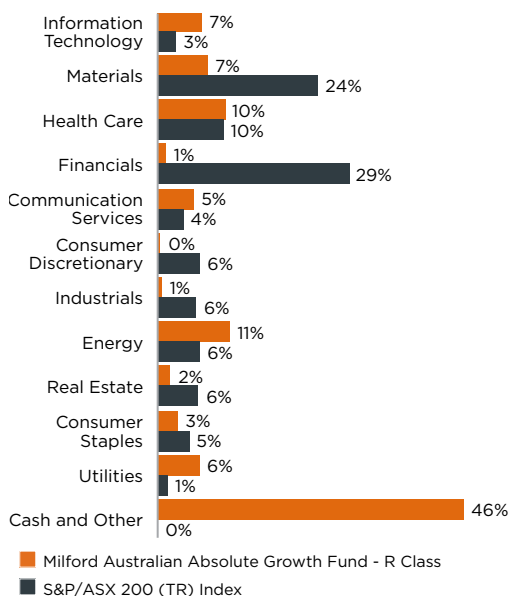
Holdings	% of Fund
CSL	5.22%
OZ Minerals	4.88%
Santos	4.88%
Telstra	4.41%
Ampol	4.08%
Origin Energy	3.95%
Resmed	2.44%
Contact Energy	2.43%
Viva Energy Group	2.31%
Computershare	1.99%

Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities [*]	49.88%	75-85%	0-100%
International Equities	4.07%	0-10%	0-30%
Cash and Other ⁵	46.05%	0-10%	0-100%

^{*} Includes New Zealand Equities

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. Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions. **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.** Effective Cash reported above is adjusted to reflect the Fund’s notional positions.

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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.