

# Milford Australian Absolute Growth Fund - R Class

## October 2022



### Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Wayne Gentle**  
Portfolio Manager



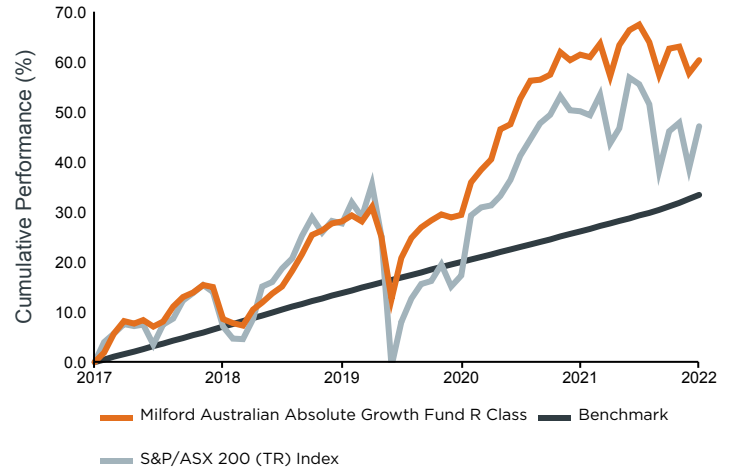
**Jason Kururangi**  
Co-Portfolio Manager

Markets recovered in October as once again investors prepared for central banks to back off interest rate hikes. This saw the ASX 200 increase 6.0% for the month. The Australian Absolute Growth Fund returned 1.7% as we had very little in banking shares, which drove much of the ASX rally, and our overall cautious positioning. The cautious positioning has served the Fund well this year with the Fund only down 2.0% year to date in difficult markets, and we believe this remains the correct approach for the uncertain near term.

Our best performers for the month were Smartpay (+15.6%) which reported a strong quarter, Suncorp (+13.8%) which rallied on better bank margins and Santos (+8.6%) on the back of higher energy prices. Our worst performer was Ampol which fell 5.3% after reporting a disappointing earnings update on some surprise logistic cost issues. These issues are relatively short term in nature and Ampol has very attractive cash flows looking forward. Energy companies remain a key exposure in the Fund due to their high cashflow yields and the positive outlook for energy prices on a five-year view. While we may see temporary declines in the oil price, these declines are unlikely to be long lasting as OPEC+ is now cutting supply to manage oil prices. The rest of the Fund is concentrated in defensive businesses, USD earners and select small and mid-cap stock picks we have a positive view on.

Economies have been robust for 2022 but are beginning to slow and company earnings are just starting to falter. This is due to high inflation and interest rates hurting the financial position of both households and businesses. We are approaching the point where central banks will reduce the size of their interest rate hikes but continue to raise rates as the job market remains tight and inflation has not slowed enough. Markets tend to bottom before earnings hit their lows, but we are very early in the earnings downgrade cycle and intend to remain cautious until earnings declines are further progressed, and interest rates are closer to being cut. We had invested some of our cash earlier in the month but took the opportunity to sell some equities back out as the market rallied into month end.

### Investment Performance to October 2022<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>mFund Code</b>	MFA04
<b>Redemption Price as at 31 Oct</b>	\$0.8968
<b>Fund Size*</b>	\$176.7 Million
<b>Inception Date</b>	October 2017
<b>Minimum Investment</b>	\$1,000
<b>Recommended Investment Timeframe</b>	5 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 October 2022

### Investment Performance to October 2022<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>	1.65%	-4.27%	-0.69%	7.76%	9.48%	9.73%
Benchmark	0.62%	3.23%	5.80%	5.44%	5.82%	5.84%
Over/Underperformance	1.03%	-7.50%	-6.49%	2.32%	3.66%	3.89%
S&P/ASX 200 (TR) Index	6.04%	-5.41%	-2.01%	4.82%	7.18%	7.89%
Over/Underperformance	-4.39%	1.14%	1.32%	2.94%	2.30%	1.84%

### Top Security Holdings

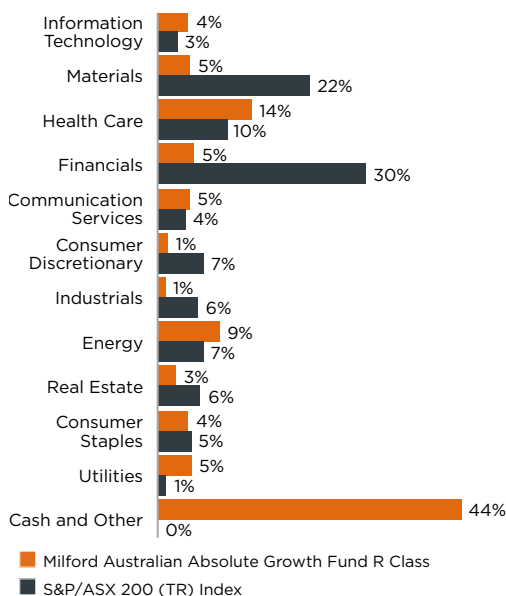
Holdings	% of Fund
CSL	6.12%
Telstra	4.59%
Santos	3.20%
Computershare	2.91%
BHP	2.67%
Resmed	2.63%
Contact Energy	2.53%
Ampol	2.42%
Suncorp Group	2.38%
Origin Energy	2.37%

### Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities <sup>*</sup>	53.72%	75-85%	0-100%
International Equities	2.73%	0-10%	0-30%
Cash and Other <sup>5</sup>	43.55%	0-10%	0-100%

<sup>\*</sup> 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.



## Milford Australian Absolute Growth Fund October 2022

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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. 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.