

Milford Australian Absolute Growth Fund - R Class

September 2023



Portfolio Managers



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The Fund fell 1.6% in September, compared to the ASX 200 which declined 2.8%.

It was another volatile month with the sell off in bonds being the dominant feature. Australian 10-year bond yields increased from 4% to 4.5% and US bond yields increased from 4.1% to 4.5% - levels not seen in many years.

This is a significant headwind to equity markets, as a higher discount rate reduces the present value of future cash flows, and cash instruments become an increasingly attractive alternative to equities. When this is coupled with increasing bond market volatility, it exacerbates the selling pressure on equities. Energy commodities continued their march higher in September, with Brent Oil prices increasing 9.8% to \$95. Higher energy prices are stoking the fears of a reacceleration in inflation, reinforcing the move in rates.

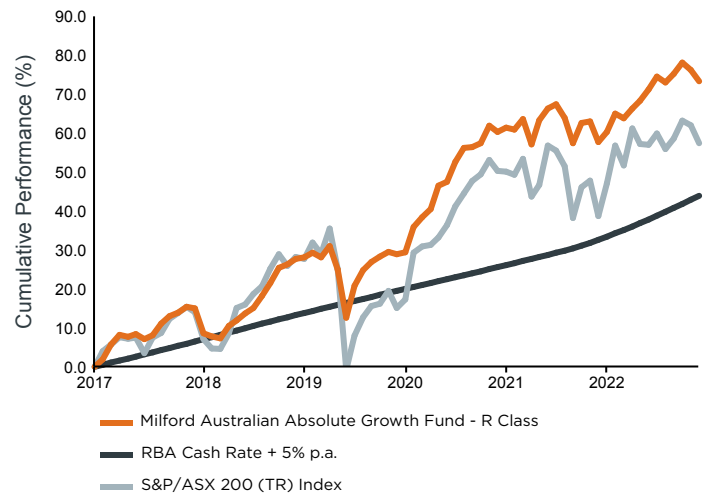
TECK Resources rallied 4.5% in September driven by rising expectations of global economic activity plus an increasing chance of corporate activity. Santos (+3.0%) and Suncorp (+2.5%) performed well driven by better oil prices and higher short-term rates respectively.

Our detractors were mainly in our defensive companies, CSL (-7.63%), TLS (-4.0%) and HCA Healthcare (-11.1%) as higher rates weighed heavily on these longer duration investments. Fundamentally they remain sound and in fact most of these businesses are well positioned to navigate a trickier economic environment.

We exited Origin Energy on the heightened risk of deal completion and a lower annualised return after a very strong few months. We also increased our exposure to Viva Energy, as insider Vittol sold 16% of the company or approximately 33% of its stake. This provided a great liquidity opportunity at attractive levels.

Equity markets are precariously placed with a higher USD, rising oil prices and rising rates increasing equity and economic volatility. Generally when these factors combine, stresses in the financial system are elevated with the increased probability of something going wrong. On the flip side, the US economy remains extremely resilient to the Fed's tightening (thus far) and hence we remain in a divisive market. We will continue to deploy our cash into attractive opportunities as they present themselves, but remain wary given the aforementioned risks.

Investment Performance to September 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 30 Sep	\$0.9223
Fund Size*	\$311.6 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

Investment Performance to September 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	-1.64%	1.24%	9.91%	10.39%	8.55%	9.61%
Benchmark	0.72%	4.40%	8.51%	6.40%	6.20%	6.26%
Over/Underperformance	-2.36%	-3.16%	1.40%	3.99%	2.35%	3.35%
S&P/ASX 200 (TR) Index	-2.84%	0.24%	13.46%	11.00%	6.67%	7.86%
Over/Underperformance	1.20%	1.00%	-3.55%	-0.61%	1.88%	1.75%

Top Security Holdings

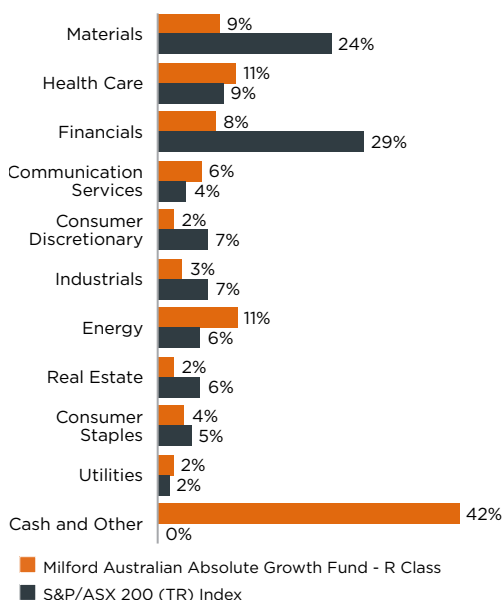
Holdings	% of Fund
Telstra	5.36%
CSL	4.97%
Santos	4.04%
NAB	3.72%
Viva Energy Group	3.67%
BHP	2.96%
Suncorp Group	2.81%
Teck Resources	2.56%
Estia Health	2.43%
United Malt	2.20%

Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	59.35%	75-85%	0-100%
Derivatives	-6.98%	NA	NA [^]
International Equities	6.13%	0-10%	0-20%
Cash and Other	34.27%	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.