

Milford Dynamic Small Companies Fund

August 2023



Portfolio Managers



William Curayne
Portfolio Manager



Michael Higgins
Portfolio Manager



Roland Houghton
Co-Portfolio Manager

The Fund returned -0.5% for the month, ahead of the S&P/ASX Small Ordinaries which finished down 1.3%. Reporting season was the focus over the month, with nearly all portfolio companies announcing financial results. The benchmark delivered twice as many downgrades than upgrades, which proved tricky to navigate. Encouragingly, our invested position continues to increase as we selectively establish longer-term buy and hold opportunities at attractive prices.

Performance was led by leading automotive marketplace Carsales (15.6%) which rallied on confidence in its international growth prospects. The pricing power in the model is significant and there's a long runway for growth in the US and Brazil. While there are still elements of cyclical in the business, it remains our preferred platform exposure.

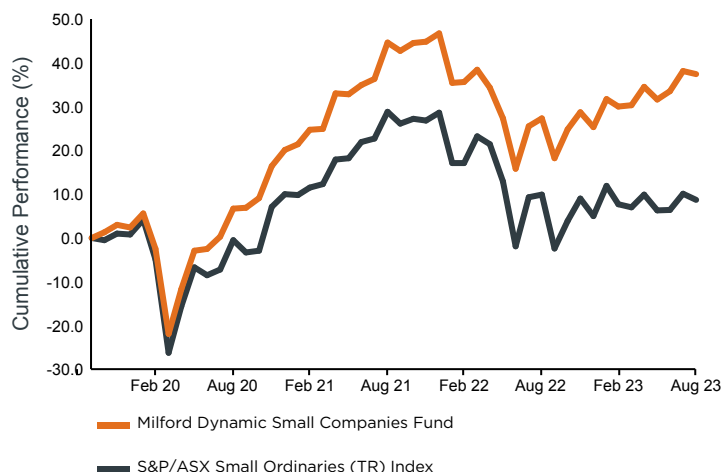
Boss Energy (+19.2%) rallied on the favourable supply and demand dynamic appearing in the uranium market. The market continues to tighten and the view on uranium as a reliable, low carbon energy source continues to improve globally.

Monadelphous (+7.7%) continued its strong recent performance. We're anticipating further construction contracts in lithium and rare earths to be announced by year end. While Monadelphous generates the majority of revenue from recurring maintenance style work, it is large one-off construction contracts that can really move the needle in an upcycle.

Detractors included Iress (-38.3%) and ResMed (-24.0%). Underlying costs at Iress are rising faster than expected which means the net cost-out benefit we had hoped for is evaporating. While we believe Australian/NZ assets will be attractive to a strategic buyer, rising costs and a poor balance sheet have materially reduced our confidence in management's ability to realise value.

There was a broad degree of caution in company outlook statements, and somewhat unsurprisingly, a lack of future earnings guidance. In our view, the long lag effects of monetary policy mean that economic and behavioural impacts are still ahead of us and hard to quantify. We enter the back end of the year with a diversified portfolio given the wide array of outcomes. As we await more comfort on the economic outlook, we continue to build a long shopping list of growth businesses to add to the portfolio once they reach more compelling valuations in the coming months.

Investment Performance to August 2023¹



Key Fund Facts

Objective	The fund targets outperformance of the S&P/ASX Small Ordinaries (TR) Index over the minimum recommended investment timeframe (net of fees)
Description	Primarily invests in small to mid-cap Australian equities
Benchmark	S&P/ASX Small Ordinaries (TR) Index
APIR	ETL6978AU
mFund Code	MFA02
Redemption Price as at 31 Aug	\$1.166
Fund Size*	\$70 Million
Inception Date	October 2019
Minimum Investment	\$1,000
Recommended Investment Timeframe	8 years +
Buy-sell Spread	+/-0.30%
Entry/Exit Fee	Nil
Management Fee	1.23%
Performance Fee	20.5% 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 August 2023²

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.) ³
Milford Dynamic Small Companies Fund	-0.48%	5.71%	7.96%	8.81%	-	-
Milford Dynamic Fund (Strategy) ⁴	-0.48%	5.71%	7.96%	8.81%	7.95%	11.06%
Benchmark	-1.31%	0.90%	-1.12%	3.00%	2.40%	5.61%
Over/Underperformance	0.83%	4.81%	9.08%	5.81%	5.55%	5.45%

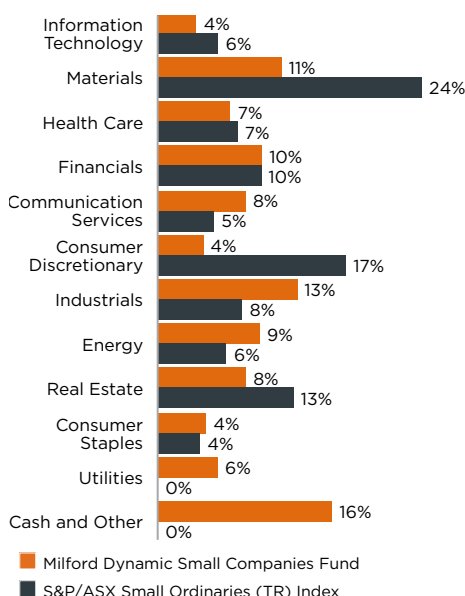
Top Security Holdings

Holdings	% of Fund
Viva Energy Group	4.06%
Carsales.Com	3.26%
Contact Energy	3.25%
IPH	3.07%
United Malt	2.95%
IGO	2.94%
Monadelphous	2.91%
Waypoint REIT	2.60%
Beach Energy	2.59%
SmartPay	2.13%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	78.81%	90%	0-100%
New Zealand Equities	5.23%	0%	0-20%
Cash and Other ⁵	15.96%	10%	0-20%

Sector Allocation



Ratings



Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report. The custody services for the fund transitioned from National Australia Bank to HSBC Bank Australia Limited since the last monthly report. There have been no changes to the individuals playing a key role in investment since the last monthly report.



Milford Dynamic Small Companies Fund August 2023

Platform Availability

Asgard, BT Panorama, HUB24, IOOF, Macquarie Wrap, Mason Stevens, mFund, MLC, MyNorth, Netwealth, PowerWrap, Praemium, Xplore Wealth Ltd

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 Milford Dynamic Fund (Strategy) is 01 October 2013. 4. The Milford Dynamic Fund (Strategy) performance combines the performance of the Milford Dynamic Fund (NZ) from 1 October 2013 to 30 September 2019 and the performance of the Milford Dynamic Small Companies Fund thereafter. The performance of the Milford Dynamic Fund (NZ) has been adjusted to reflect the difference in fee structure and neutral currency exposure from the Milford Dynamic Small Companies Fund. 5. Cash and Other reported above is adjusted to reflect the Fund's notional positions.

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Milford Dynamic Small Companies 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.

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