

Milford Dynamic Small Companies Fund

February 2023



Portfolio Managers



William Curtayne
Portfolio Manager



Michael Higgins
Portfolio Manager



Roland Houghton
Co-Portfolio Manager

The Fund returned -1.3% for the month, ahead of the S&P/ASX Small Ordinaries which declined 3.7%. The resource sector lagged, giving up much of China's reopening enthusiasm which was seen in January. Reporting season was the focus over the month, with nearly all portfolio companies announcing financial results. While the market delivered twice as many downgrades as upgrades, we fortunately navigated the month well and managed to largely evade the typical reporting season bombs.

Performance was led by 'out of home' advertising (e.g. billboards) company oOh!Media (+10.8%). oOh!Media has continued its recovery from depressed Covid levels and industry data suggests the outdoor category is tracking ahead of pre-Covid levels reflecting peoples' improved mobility. While out of home advertising is not immune to a cyclical downturn, it should be more resilient.

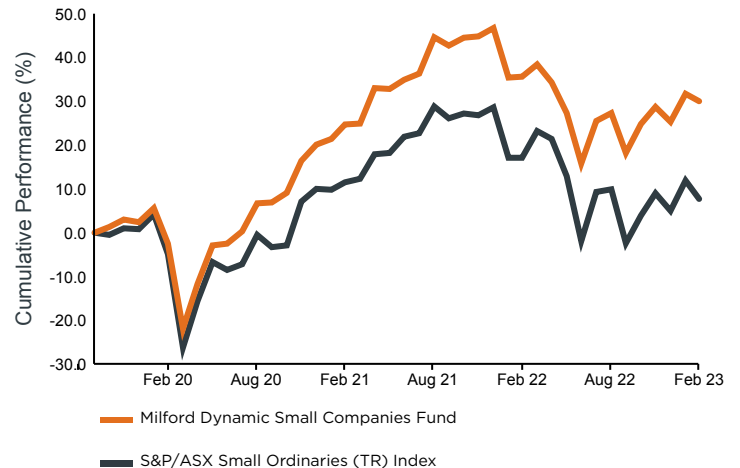
Integrated energy company Origin Energy (+10.4%) rallied following a revised takeover bid of \$8.90 (down from \$9) from the bidding consortium. While it is a small price cut to previous expectations, it was a positive step towards consummating the deal. The stock is currently trading at a 10% discount to this price which we feel will narrow as regulatory uncertainties moderate.

Seven Group (+8.0%) - the owner of multiple businesses including the Caterpillar dealership Westrac in Western Australia and New South Wales, Australia's largest equipment hire business Coates Hire, Boral, and a stake in Beach Energy - delivered a strong earnings result. The diversified conglomerate provides leverage to demand for domestic resources and the infrastructure capex cycle which we suspect will be a multi-year journey.

Mining service provider Monadelphous (-13.7%) lagged following a delay in capex spend into FY24, while gold miner Silver Lake (-22.7%) disappointed after a weaker than expected first half of FY23.

General market conditions remain volatile. However, looking through the short-term of the market, we continue to structure the portfolio with a mix of quality companies we believe can perform despite uncertain conditions. More recently we have favoured companies with strong cash-generating attributes or those leveraged to more resilient areas of the economy. We continue to be cautious on those companies exposed to the impact of RBA monetary tightening on consumer balance sheets. The recent volatility has created an investing environment ideal to our very active approach to investing.

Investment Performance to February 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 28 Feb	\$1.1868
Fund Size*	\$51 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

Investment Performance to February 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	-1.31%	2.12%	-4.10%	10.07%	-	-
Milford Dynamic Fund (Strategy) ⁴	-1.31%	2.12%	-4.10%	10.07%	8.92%	11.02%
Benchmark	-3.70%	-2.01%	-7.97%	4.24%	3.56%	5.82%
Over/Underperformance	2.39%	4.13%	3.87%	5.83%	5.36%	5.20%

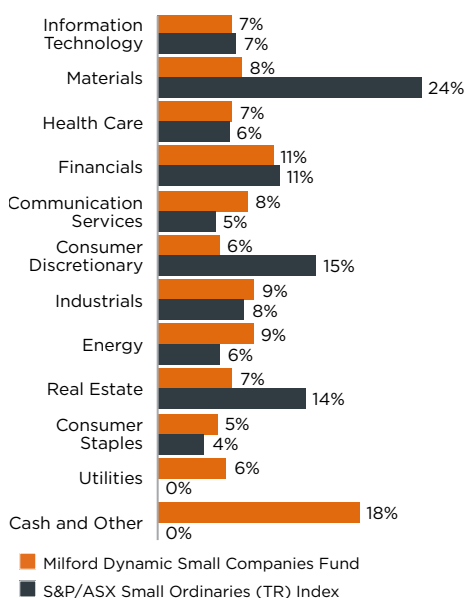
Top Security Holdings

Holdings	% of Fund
Viva Energy Group	5.06%
Contact Energy	3.42%
IPH	3.29%
Seven Group	3.28%
Origin Energy	2.85%
SmartPay	2.80%
Resmed	2.74%
Waypoint REIT	2.66%
oOh!media	2.54%
Collins Foods	2.33%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	75.58%	90%	0-100%
New Zealand Equities	6.01%	0%	0-20%
Cash and Other ⁵	18.41%	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. There have been no changes to the key service providers or individuals playing a key role in investment since the last monthly report.



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. 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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