

Milford Dynamic Fund (AU)

January 2022

Portfolio Managers



William Curtayne
Portfolio Manager



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Portfolio Manager

January saw a sharp global market sell-off as investors digested the implications of a higher interest rate environment. Our cautious positioning into the back half of the calendar year provided some resistance to the broader sell-off which was most acute in high priced technology stocks. However, the breadth of the sell-off saw defensive, well priced businesses also come under pressure, as investors looked to de-risk. The Dynamic Fund fell 7.7%, compared with the 9% fall experienced by the S&P/ASX Small Ordinaries Index, despite being more defensively positioned.

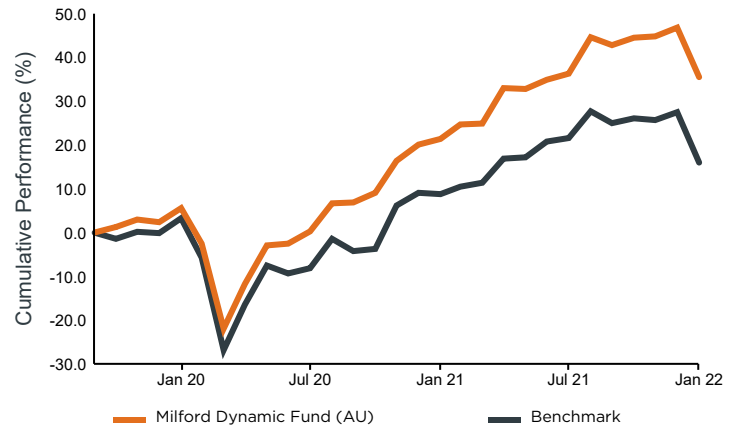
The energy sector was one of the few sectors which made a positive contribution for the month. Santos (+13.2%) and Karoon Energy (+13.7%) were two portfolio companies which performed strongly over the month reflecting the surge in oil demand. The shortfall in supply over the past year means that energy stockpiles are now extremely low and will have to be rebuilt. This has to occur whilst demand for oil surges as economies reopen post Omicron.

Another key contributor was the bank Virgin Money UK (+6.9%). Virgin Money was owned by NAB before getting spun-out and rebranded two years ago. Virgin Money provides exposure to rising rates and an improving net interest margin profile. It also remains relatively cheap against peers.

Laggards included industrials Lifestyle Communities (-19.3%) and Collins Foods (-12.8%). Lifestyle is the owner and operator of affordable, independent living communities catering to the elderly, semi-retired and retired Australians. Collins is the owner of KFC restaurants in Australia and Netherlands. We continue to hold both companies.

As we enter the new year, global risks continue to escalate. Most notably the effect of tighter monetary policy on risky assets. In the past few years economic growth has been scarce, which has partly explained the valuation premium attributed to technology companies. Now, the prospect of a broad recovery in economic activity has become real and more importantly expansive. This coupled with massive stimulus has led to higher inflation rates which central banks now have to respond to via tighter monetary policies. Our style neutral approach has allowed us to build cash and tilt the portfolio towards defensive and recovery stocks where we can identify relative value.

Investment Performance to January 2022*



* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

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 Jan	\$1.2674
NAV as at 31 Jan	\$39.6 Million
Inception Date	October 2019
Minimum Investment	\$20,000
Recommended Investment Timeframe	8 years +
Buy-sell Spread	+/-0.30%
Entry/Exit Fee	Nil
Management Fee	1.23%
Performance Fee	20.50% p.a. of returns above the benchmark subject to achieving the high watermark.
Fund Pricing	Daily
Distribution Frequency	Biannual

Investment Performance to January 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Dynamic Fund (AU)	-7.72%	-0.66%	11.58%	-	-	-
Milford Dynamic Fund (Strategy)***	-7.72%	-0.66%	11.58%	17.48%	14.49%	13.08%
Benchmark	-9.00%	-4.61%	6.65%	10.13%	9.64%	7.66%
Over/Underperformance	1.28%	3.95%	4.93%	7.35%	4.85%	5.42%

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.

** Inception date of the Milford Dynamic Fund (Strategy) is 01 October 2019.

*** 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 Fund (AU) 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 Fund (AU).

Top Security Holdings

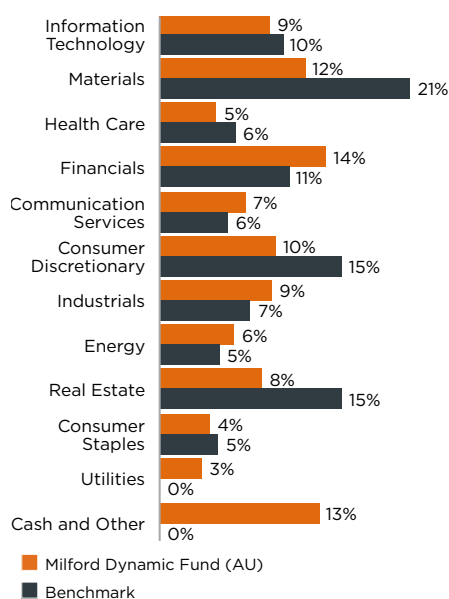
Holdings	% of Fund
Credit Corp	3.72%
Collins Foods	3.70%
Metcash	3.50%
Contact Energy	3.43%
Seven Group	3.31%
IPH	3.24%
EBOS Group	2.85%
Sandfire Resources	2.78%
Carsales.Com	2.63%
Virgin Money	2.58%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	83.11%	90%	80-100%
New Zealand Equities	3.85%	0%	0-20%
Cash and Other #	13.04%	10%	0-20%

Cash and Other reported above is adjusted to reflect the Fund's notional positions.

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.

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Milford Dynamic Fund (AU)’s Target Market Determination is available at <https://milfordasset.com.au/forms-documents.au>. 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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