

Milford Dynamic Small Companies Fund

July 2022

Portfolio Managers



William Curtayne
Portfolio Manager



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Portfolio Manager

Global equity markets bounced in July on the prospect of peak inflation, peak rates and a benign US reporting season. The Dynamic Small Companies Fund returned 8.4% for the month, behind the S&P/ASX Small Ordinaries which rallied 11.4%. While our cautious positioning provided a degree of cash performance drag, we were very pleased to largely keep up with the index with a far less risky portfolio.

Performance was led by Neuren Pharmaceuticals, which rallied 48.4% following the submission of Phase III trial results to the FDA. The FDA now have 60 days to accept the filing before triggering a milestone payment. Its drug Trofinetide treats Rett Syndrome – a rare neurological disease predominantly affecting females. We believe the probability of a successful approval is high and are excited at commercialisation prospects. Additional early-stage drugs in the portfolio treating markets far larger than Rett Syndrome provide further valuation optionality.

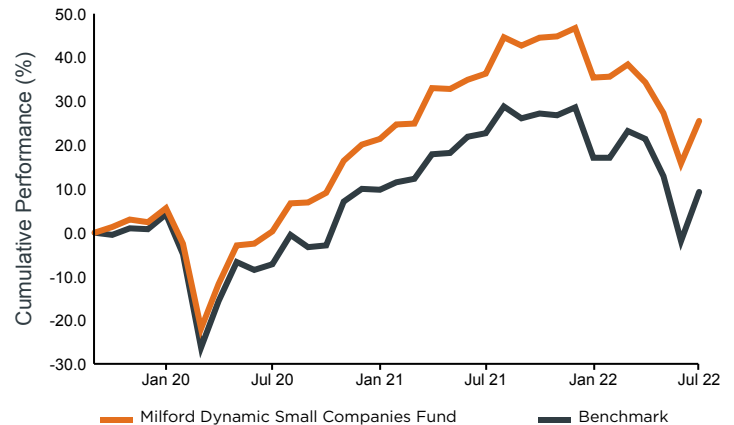
Investment platform HUB24 was a large contributor for the month (+20.2%). Sustained inflows strengthen our view that HUB are a structural winner as financial advisors migrate away from the major banks, favouring smaller more nimble advice firms which use HUB. HUB is also a beneficiary of higher cash rates, providing some offset to potentially slower flows from a volatile environment.

CarSales (+12.3%) rallied following the completion of its buyout of RV and commercial vehicle marketplace Trader Interactive. The acquisition underpins Carsales' international growth prospects and provides leverage to a recovering US truck market. We view CarSales as a relative defensive technology position. While many other technology companies have been beneficiaries of the Covid environment, CarSales has been a laggard given subdued volumes.

Detractors included oil refiner and convenience retailer Viva Energy (-8.0%). Viva has been a resilient position for the Fund and has been a key positive contributor in 2022 having rallied 15.3%.

We remain cautiously positioned having prioritised liquidity, and higher quality defensive stocks. From our perspective, medium term consensus margin expectations remain optimistic given a backdrop of rising inflation and softening consumer demand. As we await more comfort on the economic outlook, we continue to build out a long shopping list of growth businesses to add to the portfolio once they reach more compelling prices in the coming months.

Investment Performance to July 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 Jul | \$1.1535 |
| NAV as at 31 Jul | \$40.9 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 | 20.50% p.a. of returns above the benchmark subject to achieving the high watermark. |
| Fund Pricing | Daily |
| Distribution Frequency | Biannual |

Investment Performance to July 2022*

| | 1 Month | 6 Months | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.)** |
|--------------------------------------|---------|----------|---------|----------------|----------------|--------------------------|
| Milford Dynamic Small Companies Fund | 8.36% | -7.31% | -7.92% | - | - | 8.35% |
| Milford Dynamic Fund (Strategy)*** | 8.36% | -7.31% | -7.92% | 9.44% | 11.81% | 11.35% |
| Benchmark | 11.43% | -6.63% | -10.93% | 2.55% | 7.30% | 6.39% |
| Over/Underperformance | -3.07% | -0.68% | 3.01% | 6.89% | 4.51% | 4.96% |

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 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.

Top Security Holdings

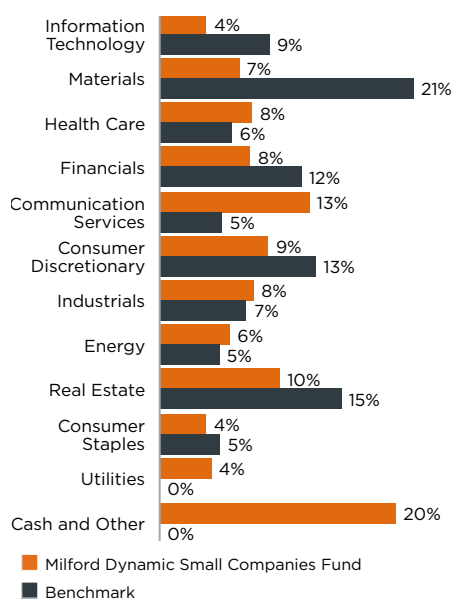
| Holdings | % of Fund |
|-------------------------|-----------|
| Contact Energy | 4.33% |
| Collins Foods | 4.12% |
| Carsales.Com | 4.01% |
| IPH | 3.97% |
| Metcash | 3.17% |
| Resmed | 2.93% |
| oOh!media | 2.83% |
| HUB24 | 2.52% |
| Waypoint REIT | 2.49% |
| Macquarie Telecom Group | 2.37% |

Current Asset Allocation

| | Actual | Neutral | Maximum Range |
|----------------------|--------|---------|---------------|
| Australian Equities | 75.71% | 90.0% | 0-100% |
| New Zealand Equities | 4.33% | 0% | 0-20% |
| Cash and Other # | 19.96% | 10.0% | 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.



Platform Availability

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

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Milford Dynamic Small Companies Fund'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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