

Milford Dynamic Small Companies Fund

June 2023



Portfolio Managers



William Curtayne
Portfolio Manager



Michael Higgins
Portfolio Manager



Roland Houghton
Co-Portfolio Manager

The Fund returned 1.4%, ahead of the S&P/ASX Small Ordinaries which made a return of 0.0% this month. The benchmark result concealed some early signs of cracks in consumer balance sheets following the most aggressive rate regime change in recent memory. Our stock picking to date has been good, and we've also managed to sidestep a few fallen angels.

Performance was led by KFC restaurant owner Collins Foods (+17.0%) which delivered a better-than-expected earnings result. Europe operations surprised to the upside, while Australian margins appear to have bottomed. We suspect Collins will benefit from trading down as consumers are faced with cost-of-living pressures. We believe the price point of \$27 to feed a family of four is an attractive proposition. Collins has an excellent balance sheet and trades on an undemanding valuation multiple.

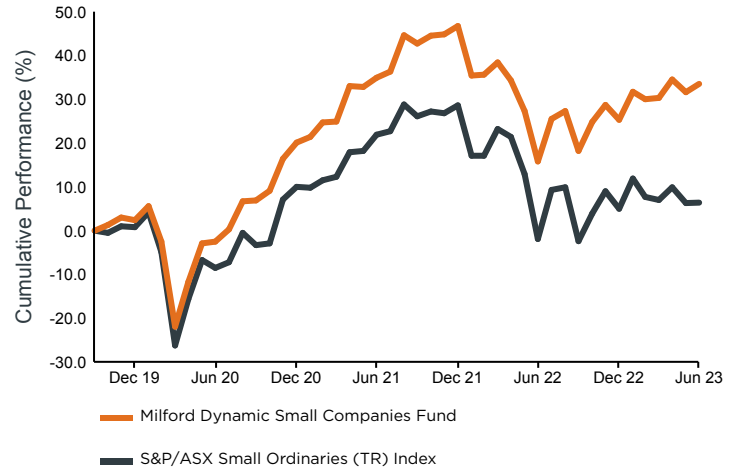
Australasian terminal provider Smartpay (+10.0%) continued its recent momentum, continuing to gain market share and rapidly grow annuity revenues. Furthermore, we feel the potential opportunity from upgrading its NZ terminal fleet to a similar revenue model as seen in Australia, is underestimated by the market.

Diversified data centre company Macquarie Telecom (+14.8%) rallied following a trading update and equity raise. The raise returns the balance sheet to a net cash position for the first time since FY19. There is no shortage of investment opportunity in its data centre business to support the next phase of growth. Mega-trends like digitisation and AI all support the medium-term growth profile.

Detractors included fuel retailer Viva Energy (-5.0%) which suffered a minor setback at its Geelong Refinery during a maintenance turnaround, and Neuren Pharmaceuticals (-11.5%) on no news.

It is becoming clear that Australia is in a two-speed economy. On one hand, the older asset-rich generation is booming from high interest rates underpinning increased spend on categories like travel and restaurants. The younger demographic, in contrast, is suffering a cost-of-living squeeze. High household debt and leverage to variable interest rates creates more risk around their consumer balance sheets. Looking at the raft of retailer downgrades over the month, the path to a soft landing in Australia is no doubt narrowing. We have long been of the view that as the economy weakens, we will rotate back into quality growth companies at attractive valuations. We have selectively started this process given our elevated cash position, however only in moderate size to date.

Investment Performance to June 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 30 Jun	\$1.2187
Fund Size*	\$62.5 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 June 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	1.43%	6.50%	15.24%	11.06%	-	-
Milford Dynamic Fund (Strategy) ⁴	1.43%	6.50%	15.24%	11.06%	8.39%	10.93%
Benchmark	0.03%	1.32%	8.45%	5.16%	2.25%	5.48%
Over/Underperformance	1.40%	5.18%	6.79%	5.90%	6.14%	5.45%

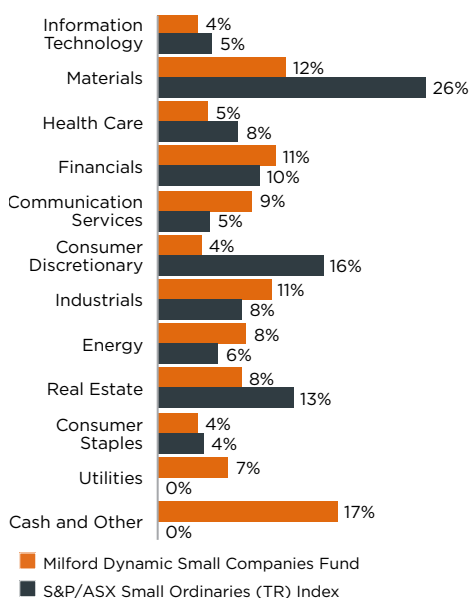
Top Security Holdings

Holdings	% of Fund
Viva Energy Group	4.32%
Contact Energy	3.53%
IPH	3.40%
IGO	3.04%
SmartPay	2.93%
Carsales.Com	2.88%
IRESS	2.77%
Waypoint REIT	2.75%
Origin Energy	2.57%
Monadelphous	2.53%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	77.16%	90%	0-100%
New Zealand Equities	5.92%	0%	0-20%
Cash and Other ⁵	16.91%	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.



Milford Dynamic Small Companies Fund June 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 Fund is 01 October 2019. 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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