

Milford Dynamic Small Companies Fund

May 2023



Portfolio Managers



William Curayne
Portfolio Manager



Michael Higgins
Portfolio Manager



Roland Houghton
Co-Portfolio Manager

The Fund returned -2.1% in May, ahead of the S&P/ASX Small Ordinaries which fell 3.3%. Our cautious positioning and elevated cash position provided some resistance to the sell-off. Since inception, the Fund strategy has captured over 100% of the market-upside and approximately 60% of the market-downside.

Performance was led by Australasian terminal provider Smartpay (+10.3%) which continued its recent momentum. Smartpay continues 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.

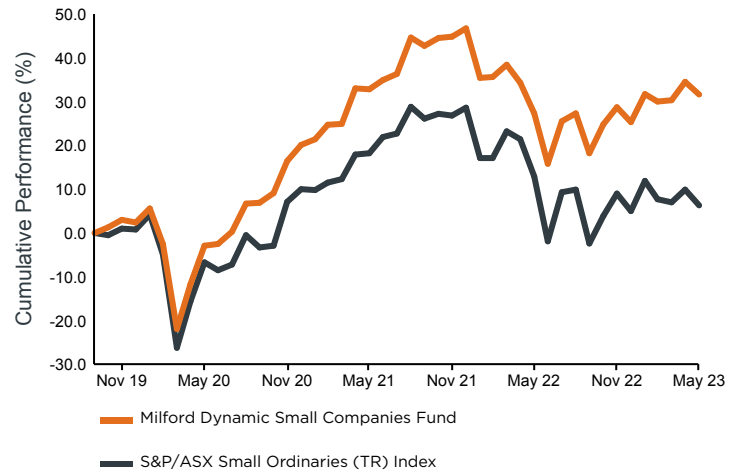
We were pleased that a recent addition to the Fund, multi-modal transport provider and tourism operator Kelsian (+11.5%), was a key contributor in May. Formally known as Sealink, we invested following the acquisition of All Aboard America. All Aboard America Holdings is an American provider of passenger motor coach services to corporate, government, education, Liquefied Natural Gas and tourism sectors. The valuation remains attractive for a steady domestic transit business coupled with offshore optionality.

Rare earths producer Lynas (+16.8%) rallied following a six-month licence extension to operate in Malaysia. As the world's only significant producer of separated rare earth materials outside of China, Lynas benefits from higher cashflows near-term and a smoother transition of operations to Kalgoorlie in Australia.

Detractors include youth apparel retailer Universal Store (-39.8%), which downgraded earnings expectations following very weak recent trading, and gold miner Silver Lake (-17.7%). We remain cautious on consumer discretionary as a category.

We're entering a critical phase in the domestic economy where the lagged impact from 11x rate rises will begin to drag on consumer balance sheets. While consumers have proven to be relatively resilient to date, there are early signs of initial consumer stress. We remain defensively positioned, limiting our exposure to unpredictable macro risks. 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 May 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 May	\$1.2015
Fund Size*	\$59.7 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 May 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	-2.13%	2.24%	3.41%	10.66%	-	-
Milford Dynamic Fund (Strategy) ⁴	-2.13%	2.24%	3.41%	10.66%	8.39%	10.86%
Benchmark	-3.26%	-2.48%	-5.77%	4.46%	2.46%	5.52%
Over/Underperformance	1.13%	4.72%	9.18%	6.20%	5.93%	5.34%

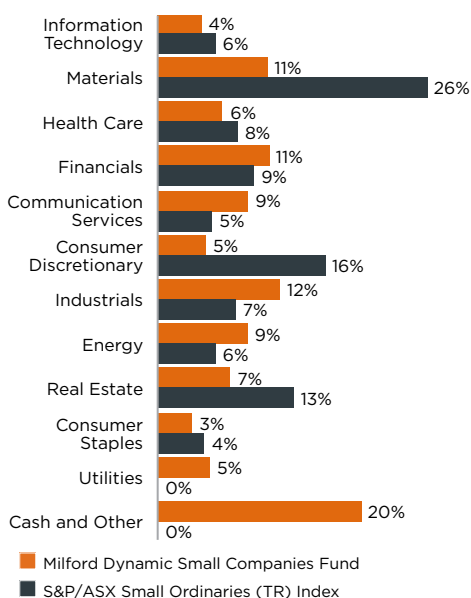
Top Security Holdings

Holdings	% of Fund
Viva Energy Group	4.42%
Contact Energy	3.45%
IPH	3.45%
SmartPay	3.08%
Carsales.Com	2.97%
Seven Group	2.85%
Waypoint REIT	2.83%
IGO	2.74%
Monadelphous	2.67%
Neuren Pharmaceuticals	2.64%

Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	75.07%	90%	0-100%
New Zealand Equities	5.38%	0%	0-20%
Cash and Other ⁵	19.55%	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.



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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 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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