Milford Investment Funds
Monthly Review January 2022

A wider perspective

Fund returns in December were strong as local and global share markets shrugged off the threat of the latest 'Omicron' Covid wave.

Looking back on 2021, fund returns have been driven by two key factors. Firstly, global bond markets have had a tough year as inflation has soared, sending government bond prices lower. Our funds have taken measures to mitigate against these moves but a falling bond market is a significant headwind for lower risk funds that predominantly invest in these assets.

Secondly, share market returns have been dominated by the moves of a small number of stocks. This has been particularly stark in the US with strong performance of large technology companies - Google and Microsoft delivered returns of 65% and 53% respectively in 2021. These stocks, alongside healthcare services provider HCA (+58%) were notable performers for Milford funds last year. In Australia some banks had a good year - National Australia Bank returned 36% and Virgin Money UK returned 32%. Telstra (+50%) and some property companies also performed well for our funds.

December share market performance shows investors are willing to look past new Covid waves. This is a reflection of the strong economic momentum and very low levels of interest rates around the world, encouraging investors to chase share market returns.

New Zealand's share market posted a solid 2.5% gain in December, but the index ended 2021 down 0.4%, partly due to rising local interest rates. Australia's ASX 200 delivered 2.8% in December with 2021 returns of 17.2%. Notably, the RBA has been steadfastly refusing to signal rate hikes. NZ's experience this year may be a taste of what's to come for international investors in 2022, given the expectation that global central banks will start to lift interest rates from record low settings.

2022 is likely to see a lower rate of return on all assets, alongside a greater degree of volatility – both up and down. However, we expect to see continued opportunities to move portfolios around, finding more attractively valued companies that can benefit from the underlying economic strength.

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Conservative Fund

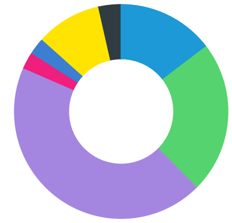
Portfolio Manager: Paul Morris

The Fund enjoyed a strong end to the year, gaining 1.4% in December, recovering much of the recent weakness. As December progressed, confidence improved that economies could navigate the Omicron Covid wave and the removal of extremely loose central bank monetary policy settings. This underpinned the annual "Santa Rally" in risky assets which helped the Fund's shares (to which exposure had been increased) post strong gains and led corporate bonds (the Fund's predominant bond exposure) to outperform a mixed month for government bonds. Most of the Fund's corporate bonds posted positive returns and they continue to recover from recent underperformance relative to government bonds.

High yield bonds and subordinated bonds of investment grade rated companies delivered a higher return than investment grade bonds, being more insulated from rising market interest rates. There were broad based gains across the Fund's shares. Income oriented, growth and cyclical shareholdings all broadly speaking posted gains, but it was another call out month for property shares and global infrastructure shares (especially roads and airports).

Looking forward, our base case remains for positive but moderate Fund returns in 2022. Market interest rates are likely to rise as central banks tighten policy to combat high inflation but should remain historically low. Nevertheless, this may be a headwind for bonds, so we continue to limit interest rate exposure. The Fund's share exposure may be close to its long run neutral, as the earnings outlook remains positive and interest rates remain historically low, but given likely rising interest rates and increased market volatility it will remain actively managed in terms of allocating across different countries and sectors.

Actual investment mix[1]



- Effective Cash# 14.64%
- New Zealand Fixed Interest 22.94%
- International Fixed Interest 43.93%
- New Zealand Equities 2.54%
- Australian Equities 2.55%
- International Equities 9.84%
- Listed Property 3.56%
- Other* 0%

The actual cash held by the Fund is 13.16%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

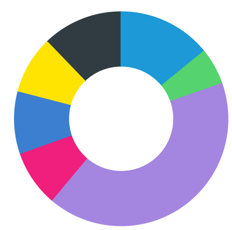
Diversified Income Fund

Portfolio Manager: Paul Morris

The Fund enjoyed a strong end to the year, gaining 2.4% in December, more than recovering recent weakness. Markets remained choppy in early December, but confidence did grow that they could navigate the Omicron Covid wave and the likely ongoing removal of central bank emergency policy settings. This helped underpin the so called "Santa Rally" which benefitted the Fund's shares (to which exposure was increased over the month) and to a lesser extent its corporate bonds (where fixed income exposure is focused).

Both income-oriented and cyclical shareholdings saw strong gains, but it was another call out month for property shares; Australian property fund manager Goodman Group (the Fund's largest property exposure) was up another 7.9% (+41.9% over 1-year) while CBRE (global real estate services) was up 13.5%. Global infrastructure (especially roads and airports) and cyclical (e.g. banks) shares also enjoyed a strong month, recovering from previous Omicron weakness. Corporate bonds outperformed mixed performance in government bonds. Subordinated bonds of investment grade companies and high yield rated bonds both generally outperformed higher rated bonds.

Looking forward, our base case remains for positive Fund returns in 2022, albeit more moderate and more volatile. Market interest rates are likely to rise as central banks tighten policy to combat high inflation but should remain historically low. This headwind will be more pronounced for government bonds, but may also limit upside for corporate bonds, so we continue to limit interest rate exposure. The Fund's share exposure may be close to its long run neutral, as the earnings outlook remains positive, but with interest rates rising it remains prudent to complement the Fund's traditional income-oriented shares with cyclical and reopening beneficiary shares.



- Effective Cash# 14.13%
- New Zealand Fixed Interest 5.54%
- International Fixed Interest 41.43%
- New Zealand Equities 8.51%
- Australian Equities 9.42%
- International Equities 8.75%
- Listed Property 12.22%
- Other* 0%

The actual cash held by the Fund is 8.99%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Balanced Fund

Portfolio Manager: Mark Riggall

The Fund returned 2.8% in the month, with a one-year return of 12.1%. December returns were strong as local and global share markets shrugged off the latest Covid wave.

It was a good month for Australian property names such as Goodman Group (+7.9%). On the global side, infrastructure stocks and global cyclical companies, such as banks, recovered from their previous weakness. The Fund's exposure to shares had been increased at the start of the month in anticipation of a strong end to the year but this has now been reduced again back to a more neutral setting.

Returns over the past year have been driven almost entirely by the share portion of the portfolio. Bond returns have been muted and are expected to remain so as global central banks follow the RBNZ's lead and raise interest rates. An environment of rising interest rates will likely mean share market returns will be lower and more volatile going forward. The Fund will navigate this environment by retaining a lower exposure to bonds and being nimble around share market exposure. On the positive side, the economic backdrop remains strong which will continue to provide opportunities to boost returns via good stock selection.

Actual investment mix[1]

- Effective Cash# 13.02%
- New Zealand Fixed Interest 3.71%
- International Fixed Interest 21.59%
- New Zealand Equities† 10.87%
- Australian Equities 13.47%
- International Equities 30.32%
- Listed Property 7.02%
- Other* 0%

The actual cash held by the Fund is 11.47%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

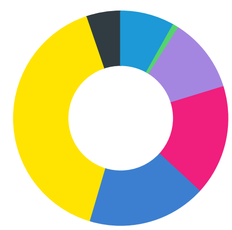
Active Growth Fund

Portfolio Manager: Jonathan Windust

The Fund rose 3.6% in December and finished the year up by 18.1%. Global share markets rose as investors looked past Omicron and focused on strong growth prospects in the United States and continued low interest rates. The Fund performed well generating returns in excess of the markets it invests, due to strong company selection.

Key positive performing companies during the month included NZ healthcare logistics company EBOS (+13.0%), Australian bio-technology company Neuren (+109.4%), US hospital company HCA (+14.1%), US health insurer Anthem (+14.4%) and US home builder Pulte (+14.6%). EBOS rose following the acquisition of medical devices distribution company LifeHealthcare which complements EBOS' current pharmacy, healthcare and logistics businesses. Neuren rose following the positive trial of its treatment for Rett Syndrome, a rare disease. Whilst a small holding in the Fund, we were pleased to be able to support a company which will have major benefits for its patients. HCA, Anthem and Pulte were re-rated as investors focus shifted to companies with attractive valuations.

The outlook for shares in 2022 is supported by the prospect of strong economic growth, strong company earnings, low short-term interest rates and high levels of liquidity. The key headwinds for markets are relatively high valuations, generally optimistic investor sentiment and the prospect of rising inflation and interest rates. The prospect of rising Omicron cases may also cause short-term economic weakness. Whilst parts of the market have relatively full valuations, we continue to find companies which we believe are attractively valued. The strategy of the Fund is to remain active and construct a portfolio of investments which provide attractive medium-term risk adjusted returns.



- Effective Cash# 8.16%
- New Zealand Fixed Interest 0.89%
- International Fixed Interest 11.22%
- New Zealand Equities‡ 16.61%
- Australian Equities 17.68%
- International Equities 40.19%
- Listed Property 5.25%
- Other* 0%

The actual cash held by the Fund is 8.53%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

†Includes unlisted equity holdings of 0.11% ‡Includes unlisted equity holdings of 0.64% *Other includes currency derivatives used to manage foreign exchange risk. [1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Australian Absolute Growth Fund

Portfolio Manager: William Curtayne & Wayne Gentle

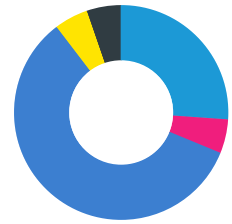
December ended up being a relatively strong month for the equity market as fears surrounding the Omicron variant receded with more evidence emerging of its less severe symptoms and lower hospitalisation rates. The Fund ended the month up 2.1%, behind the ASX 200 Index which was up 2.9%.

Our best performer over the month was biotech Neuren Pharmaceuticals, which stormed +109.4% after announcing positive phase 3 trial results for its drug Trofinetide to treat Rett Syndrome. Meanwhile one of our worst performers was Woolworths after delivering a downgrade to expectations reflecting higher costs of doing business. In other notable portfolio news CSL carried out a discounted equity raise to acquire Swiss business Vifor pharmaceutical, we participated in this given the compelling value on offer.

We are now in a situation where monetary policy will almost certainly be tightening, with the Fed flagging faster deceleration of asset purchases, earlier rate rises and a potential for quantitative tightening. We remain mindful this tightening environment is likely to slow growth and drive volatility for markets. We also expect underlying sector rotations to remain a feature.

Given this backdrop the Fund remains relatively cautiously positioned for volatility, with a good mix of quality holdings, those with attractive valuations and some beneficiaries to a rising rate environment. We are also carrying a robust cash level coupled with some derivative protection, which should help cushion any downside volatility we see in the market. Through this we continue to expect stock picking opportunities will appear that we will capitalise on as more attractive risk/reward opportunities present themselves.

Actual investment mix[1]



The actual cash held by the Fund is 19.31%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Aggressive Fund

Portfolio Manager: Stephen Johnston

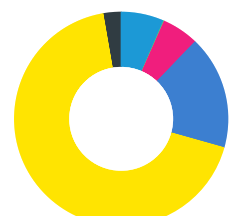
The Fund gained 3.6% in December and is up 8.8% since its inception (Jun-21). Despite the emergence of Omicron, a highly contagious new Covid variant, and growing concerns that policy tightening to address inflation may be less transitory than expected, global share markets ended 2021 on an upbeat note.

A key contributor in December was US hospital operator HCA (+14.1%) which ended up a remarkable 57.6% for the year. Operationally, HCA performed strongly during 2021 despite ongoing pandemic pressures: growing market share; enhancing service lines; and expanding care offerings. All of these factors contributed to healthy organic revenue growth. US payments network Mastercard, made a strong recovery in December (+14.1%) after a somewhat disappointing performance in 2021, largely due to the ongoing pandemic. Encouragingly, their high margin cross border payment volumes (reflecting credit card use abroad) continue to recover and we believe there is significant pent-up demand for leisure and business travel that will boost revenue growth in 2022. Another of our reopening plays, Wyndham Hotels and Resorts, performed strongly in December (+13.2%). Wyndham has a strong brand in the US and is benefitting from the recovery in domestic leisure travellers.

In terms of detractors, software companies were under pressure in December with Adobe (-15.3%) and Shopify (-9.5%) both contributing negatively for the month. Allbirds, the NZ founded, sustainable footwear and apparel brand, has had a volatile start since it listed on the Nasdaq in November and was weak in the month (-21.6%). Medium term, Allbird's focus on sustainability lends significant growth potential, as consumers are incorporating higher sustainability standards into the products they buy, including shoes.

In Australasian markets, strong performers included health care company EBOS (+13.0%) and copper company Sandfire Resources (+9.5%). The biggest detractor was fast food operator Collins Foods (-3.9%).

Looking ahead, we expect elevated volatility in share markets until we have more clarity on Omicron and the outlook for inflation. We are monitoring developments closely and our strategy going forward is to take advantage of the volatility to add our favoured names at cheaper prices.



The actual cash held by the Fund is 6.94%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Trans-Tasman Bond Fund

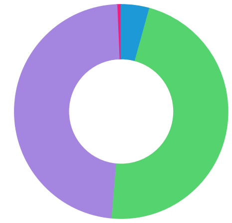
Portfolio Manager: Travis Murdoch

Fixed income markets had another mixed month. Australasian bond markets generally outperformed offshore markets where interest rates moved materially higher (prices lower) in comparison as major central banks became more proactive in tightening monetary policy to tackle persistent inflation. The emergence of Omicron appeared to have a limited impact on markets as early signs of lower severity suggest it may have less economic impact than first feared. Corporate bonds, to which the Fund is most exposed, had a mixed month with New Zealand corporate bonds outperforming.

The Fund returned 0.5% in the month, outperforming its benchmark due mainly to the Fund's above neutral allocation to New Zealand corporate bonds. It was a quieter month in primary markets as the year drew to a close. The Fund bought new issues from CIP (Australian industrial REIT) and GMT (NZ industrial REIT). The Fund also added to existing bond holdings in Waypoint REIT, McDonalds and Coles.

The Fund enters 2022 with a constructive outlook on Australasian fixed income markets. The Fund retains above neutral exposure in New Zealand where we continue to think expectations for future interest rate rises are most fully priced into bond yields and below neutral interest rate exposure in offshore markets where the risk of moves higher in interest rates appear less reflected in prices.

Actual investment mix[1]



- Effective Cash# 4.31%
- New Zealand Equities 0.66%
- New Zealand Fixed Interest 47.05%
- Other* 0%
- International Fixed Interest 47.98%

The actual cash held by the Fund is 3.98%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

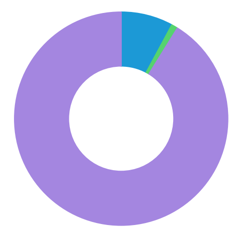
Global Corporate Bond Fund

Portfolio Manager: Travis Murdoch

Fixed income markets had another mixed month. Offshore government bond yields generally moved higher (prices lower) as major central banks became more proactive in tightening monetary policy to tackle persistent inflation. In the US, the Federal Reserve announced that they will be doubling the pace of the tapering of asset purchases. The European Central Bank announced a material reduction in asset purchases and the Bank of England raised the overnight interest rate for the first time since 2018. The emergence of Omicron appeared to have a limited impact on markets as early signs of lower severity suggest it may have less economic impact than first feared. This helped corporate bonds to post a more constructive month, outperforming government bonds.

The Fund returned 0.6% in the month, which was 0.2% higher than its benchmark mainly due to the Fund's overweight in European corporate bonds which outperformed. It was a quieter month in primary markets as the year drew to a close. The Fund bought new issues in Orange (French Telecommunications) and Rabobank (Dutch Bank). The Fund was more active in secondary markets where it bought bonds in Thyssen Elevators, T Mobile and McDonalds and sold bonds with longer maturities including Holcim and Morgan Stanley.

Looking forward, volatility is likely to remain elevated as persistently high inflation maintains upward pressure on interest rates. The Fund maintains a below neutral allocation to the weakest parts of the high yield market and below neutral interest rate positioning to cushion against potential impact a move higher in interest rates may have on bond returns.



- Effective Cash# 7.88%
- Other* 0%
- New Zealand Fixed Interest 0.96%
- International Fixed Interest 91.16%

The actual cash held by the Fund is 5.59%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Cash Fund

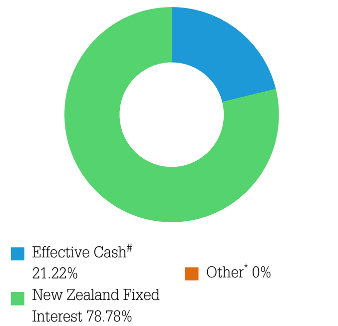
Portfolio Manager: Travis Murdoch & Katlyn Parker

In December the Fund generated a return of 0.07%, in line with its objective to deliver a return in excess of the Reserve Bank of New Zealand (RBNZ) Official Cash Rate (OCR) after fees.

Short-dated NZ Dollar interbank money market interest rates continued to climb higher during the month of December. This benefits the Fund by increasing the interest rates into which it can progressively reinvest maturing holdings. Our base case remains for higher interest rates starting with the next RBNZ meeting in February, however the RBNZ have been very clear in their communications that further increases in the OCR will be gradual and data dependent.

The portfolio management of the Fund remains focused on maintaining its low-risk strategy which is built on a diversified portfolio of cash, short-dated debt securities and term deposits, so as to protect capital.

Actual investment mix[1]



The actual cash held by the Fund is 21.22%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Global Equity Fund

Portfolio Manager: Felix Fok

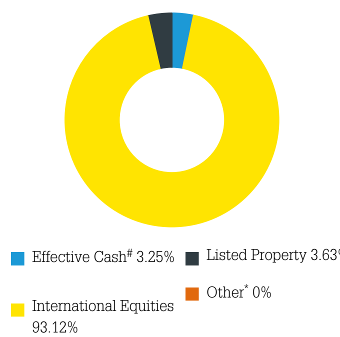
The Fund gained 3.7% in December. Over three years, the Fund is up a cumulative 87.4% (23.3% p.a.) net of fees, compared to the market index which is up 76.2%.

Leading the field was the global technology services company Accenture (+16.0%). Accenture advises companies on how to adapt technology and helps them implement solutions. Its broad industry knowledge and delivery capacity are helping it deliver solid earnings and record new bookings. Payments network Mastercard (+14.1%) made a strong recovery after a muted 2021 due to the ongoing pandemic. Significant pent-up demand for leisure and business travel should boost growth in 2022.

Elsewhere, US health insurance company Anthem (+14.4%) gained with the recovery of the US economy and employment. As the uptake of highly profitable private health policies is correlated with jobs, Anthem is well placed for the bounce back and trades on a cheap valuation.

Detractors included software company Adobe (-15.3%) which fell after providing a 2022 outlook that was below expectations. The software group had benefitted from the pandemic due to 'work from home' and the acceleration of corporate upgrading of digital capabilities. The Fund moderated its exposure to this group on the potential for higher interest rates and earnings deceleration.

Investors are repositioning for a changing outlook, leading to volatility. The portfolio remains focused on 'Future Leaders', the best-in-class operators in attractive industries.



The actual cash held by the Fund is 3.10%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Trans-Tasman Equity Fund

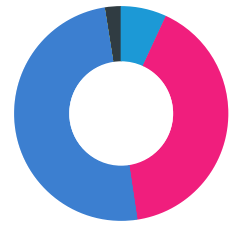
Portfolio Manager: Sam Trethewey

The Fund finished the year strongly with a 2.2% return in December and an annual return of 11.2% for 2021. The NZX 50 and ASX 200 performed very differently this year. The NZX 50 fell 0.4% primarily due to the RBNZ lifting local interest rates ahead of other central banks and the large exposure the market has to interest rate sensitive stocks. The ASX 200 rallied 17.6% fuelled by its exposure to financial and resource stocks which benefit from rising inflation and interest rates. The Fund's holdings were tilted towards the ASX throughout 2021.

Performance was led by pharmaceutical distributor EBOS Group (+13.0%) and copper miner Sandfire Resources (+9.5%). EBOS Group rallied following a capital raising to fund the acquisition of LifeHealthcare, a medical devices business. The Fund participated in the capital raising. EBOS has been a strong performer for the Fund over many years, we continue to see the company delivering attractive returns to shareholders going forward driven by its strong competitive position and high-quality management team. Other changes included adding to CSL via a capital raising to fund the acquisition of Vifor Pharma, a manufacturer of kidney-related and cardio-renal therapies. We also reduced exposure to local housing market stocks, Ryman Healthcare and Fletcher Building, where we see increased earnings risk in the year ahead.

The medium-term outlook for the Fund remains supported by the prospect of solid economic growth and consequently strong company earnings. The key headwind is relatively high valuations, and the impact rising interest rates have on valuations as we experienced in NZ over 2021. The market is now anticipating a series of interest rate rises from the RBNZ, it is now up to our central bank to deliver. In contrast the RBA is still clearly holding interest rates at very low levels. Our strategy is to own companies that can sustain earnings growth at above average rates (like Mainfreight, Xero and Fisher & Paykel Healthcare) and avoid those where we see stretched balance sheets, earnings or valuation risk. Irrespective of short-term market performance, long-term returns will be influenced by our stock selection.

Actual investment mix[1]



Effective Cash# 6.93%
Listed Property 2.51%
New Zealand Equities 40.70%
Other* 0%
Australian Equities 49.86%

The actual cash held by the Fund is 7.05%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Dynamic Fund

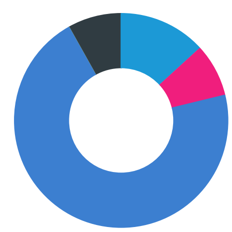
Portfolio Manager: William Curtayne & Michael Higgins

2021 was a strong year for the Fund having delivered a 22.0% return, compared against the Small Ordinaries benchmark return of 17.2%. The Fund rallied by 1.9% in December, 0.3% ahead of the benchmark.

Performance was led by Neuren Pharmaceuticals, which rallied 109.4% following exceptional phase 3 trial results for its drug Trofinetide which treats Rett Syndrome. Neuren will be seeking US regulatory approval in late 2022/early 2023. We think it has a very good chance of being approved.

Independent supermarket wholesaler Metcash (+14.4%), was a key contributor in December. We believe Metcash's defensive characteristics and exposure to higher-margin hardware is underappreciated by equity markets. DGL (Dangerous Goods Logistics), an IPO that listed in May, rallied 27.8% in December. DGL is a founder-led business exposed to the logistics and storage of specialised chemicals. Laggards included digital payments business EML Payments (-10.3%) which returned some of the outperformance last month, and Collins Foods (-3.9%) on no new news.

As we approach the new year, global risks continue to escalate. That said, early reports on Omicron suggest while it is far more contagious than previous variants, it does appear less deadly. Given this new development, we have added some reopening beneficiaries to better balance the Fund. We remain cautiously optimistic into 2022.



Effective Cash# 13.23%
Listed Property 8.15%
New Zealand Equities 7.98%
Other* 0%
Australian Equities 70.64%

The actual cash held by the Fund is 13.45%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

*Other includes currency derivatives used to manage foreign exchange risk.

[1]The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

Fund Performance

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	Since Fund inception (p.a.)	Unit price $	Fund size $
Multi-Asset Funds							
Conservative Fund*	1.41%	1.56%	5.73%	5.66%	5.82%	1.2351	609.3 M
Diversified Income Fund*	2.44%	5.72%	8.18%	7.77%	10.41%	1.9219	2,941.4 M
Balanced Fund	2.76%	12.07%	13.10%	10.42%	10.26%	3.0262	1,807.6 M
Active Growth Fund	3.59%	18.12%	16.32%	12.97%	12.93%	5.2606	2,465.8 M
Australian Absolute Growth Fund	2.11%	18.17%	14.44%	—	10.97%	1.4843	611.6 M
Aggressive Fund	3.61%	—	—	—	—	1.0876	890.4 M
Cash and Fixed Income Funds							
Trans-Tasman Bond Fund*^	0.54%	-2.58%	3.02%	3.74%	4.54%	1.1646	986.7 M
Global Corporate Bond Fund*^	0.61%	-0.29%	4.64%	—	4.17%	1.0897	680.2 M
Cash Fund	0.07%	0.48%	—	—	0.94%	1.0270	128.8 M
Equity Funds							
Global Equity Fund†	3.69%	25.13%	23.28%	15.67%	11.64%	2.5830	1,511.9 M
Trans-Tasman Equity Fund*	2.24%	11.20%	19.07%	16.29%	12.18%	4.1051	995.4 M
Dynamic Fund#	1.87%	21.95%	22.60%	16.14%	14.97%	3.1228	965.9 M

For details of how investment performance is calculated, and returns at each PIR please see www.milfordasset.com/funds-performance/view-performance#tab-performance.
Performance figures are after total Fund charges have been deducted and at 0% PIR.
Please note past performance is not a guarantee of future returns.
Inception dates for the Funds: Active Growth Fund: 1 October 2007, Trans-Tasman Equity Fund: 1 October 2007, Balanced Fund: 1 April 2010, Diversified Income Fund: 1 April 2010, Global Equity Fund: 12 April 2013, Dynamic Fund: 1 October 2013, Trans-Tasman Bond Fund: 2 December 2013, Conservative Fund: 1 September 2015, Global Corporate Bond Fund: 1 February 2017, Australian Absolute Growth Fund: 1 March 2018, Cash Fund: 1 March 2019, Aggressive Fund: 21 June 2021.
*Performance figures include the reinvestment of the Funds' distribution.
^Returns prior to 1 March 2018 are from when the Fund was previously offered to wholesale investors only and have been adjusted for current Fund charges.
†Returns prior to 1 October 2018 are from when the Fund was structured to achieve an absolute return.
Closed to new investment.

Key Market Indices

	Past month	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
S&P/NZX 50 Gross Index (with imputation credits)	2.55%	0.20%	14.77%	14.66%	14.05%
S&P/ASX 200 Accumulation Index (AUD)	2.75%	17.23%	13.62%	9.76%	8.99%
S&P/ASX 200 Accumulation Index (NZD)	4.43%	16.20%	14.05%	10.26%	9.21%
MSCI World Index (local currency)*	4.00%	24.17%	21.51%	14.51%	11.86%
MSCI World Index (NZD)*	3.37%	28.10%	20.86%	15.45%	13.66%
S&P/NZX 90-Day Bank Bill Rate	0.06%	0.39%	0.91%	1.34%	1.80%
Bloomberg Barclays Global Agg. Bond (USD-Hedged)	-0.41%	-1.39%	4.06%	3.39%	3.13%
S&P/NZX NZ Government Bond Index	0.55%	-6.17%	1.24%	2.75%	3.23%

*With net dividends reinvested

Upcoming Distributions

Fund	Target	Payment Date
Conservative Fund	0.5 cents (Quarterly)	20/01/2022
Diversified Income Fund	1.1 cents (Quarterly)	17/02/2022
Trans-Tasman Bond Fund	0.45 cents (Quarterly)	17/03/2022
Global Corporate Bond Fund	0.45 cents (Quarterly)	17/03/2022
Trans-Tasman Equity Fund	1.5 cents (Biannually)	17/03/2022

Top Security Holdings (as a percentage of the Fund's Net Asset Value)

Multi-Asset Funds

Conservative Fund	Diversified Income Fund	Balanced Fund
NZ Govt. 0.5% 2026 2.38%	Contact Energy 2.02%	Contact Energy 1.87%
Kiwibank 1.3% 2022 2.23%	Scentre Group 5.125% 2080 1.60%	Fisher & Paykel 1.33%
ANZ 1.45% 2022 1.98%	Goodman 1.51%	Alphabet 1.28%
NZLGFA 1.5% 2026 1.44%	Spark 1.37%	Microsoft 1.20%
ANZ 2.999% 2031 1.04%	Transurban 1.30%	HCA Holdings 0.98%
Government of Australia 0.5% 2026 0.95%	Telstra 1.30%	EBOS Group 0.96%
Housing NZ 3.36% 2025 0.71%	Charter Hall Retail 1.24%	Telstra 0.93%
NZLGFA 1.5% 2029 0.69%	NAB 1.13%	Mainfreight 0.92%
Vector 3.69% 2027 0.68%	Mirvac 1.10%	Spark 0.92%
McDonald's 3.45% 2026 0.67%	Getlink 1.04%	Virgin Money 0.91%

Active Growth Fund	Australian Absolute Growth Fund	Aggressive Fund
Contact Energy 3.42%	CSL 7.39%	Alphabet 2.82%
Virgin Money 2.80%	NAB 6.82%	Microsoft 2.72%
Alphabet 2.43%	Telstra 4.68%	Danaher 2.32%
Fisher & Paykel 2.21%	Sydney Airport 4.50%	HCA Holdings 2.03%
Santos 2.03%	BHP Group 3.89%	Mastercard 1.98%
Dr Horton 1.95%	CBA 3.53%	Thermo Fisher 1.95%
CRH 1.94%	Woolworths 3.51%	Wyndham Hotels 1.86%
HCA Holdings 1.89%	Coles 3.11%	Aon 1.86%
EBOS Group 1.78%	Metcash 3.05%	Ametek 1.80%
Microsoft 1.74%	Santos 3.01%	Intercontinental Exchange 1.77%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Top Security Holdings (as a percentage of the Fund's Net Asset Value)

Cash and Fixed Income Funds

Trans-Tasman Bond Fund	Global Corporate Bond Fund	Cash Fund
NZ Govt. 0.5% 2026 6.41%	Credit Agricole 6.875% Perpetual 1.91%	Westpac 45 Day WND 17.14%
NZLGFA 1.5% 2026 3.88%	Becton Dickinson Euro 0.334% 2028 1.85%	ANZ 1.1% 2022 6.61%
Government of Australia 0.5% 2026 2.57%	Danaher Corp 0.45% 2028 1.78%	ANZ 1.1% 2022 5.45%
Housing NZ 3.36% 2025 1.92%	McDonald's 3% 2024 1.69%	SBS CD 2022 5.43%
NZLGFA 1.5% 2029 1.85%	NXP BV 4.3% 2029 1.69%	Auckland Airport CD 2022 4.66%
Vector 3.69% 2027 1.84%	Thermo Fisher 0.8% 2030 1.60%	Spark CD 2022 3.88%
NZLGFA 3.5% 2033 1.69%	John Deere 1.75% 2024 1.58%	Fonterra CD 2022 3.88%
NZLGFA 2.25% 2028 1.67%	John Deere 0.70% 2026 1.57%	Fonterra CD 2022 3.88%
Transpower 1.735% 2025 1.60%	Crown Euro. 3.375% 2025 1.57%	Spark CD 2022 3.88%
ANZ Float 2024 1.60%	Seagate 4.091% 2029 1.51%	Genesis CD 2022 3.80%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Equity Funds

Global Equity Fund	Trans-Tasman Equity Fund	Dynamic Fund
Microsoft 4.41%	Fisher & Paykel 6.92%	Collins Foods 3.92%
Alphabet 4.31%	Mainfreight 5.37%	Credit Corp 3.40%
Mastercard 2.97%	Xero 4.47%	Metcash 3.24%
Apple 2.86%	CSL 4.42%	IPH 3.22%
Intercontinental Exchange 2.77%	Infratil 3.56%	Contact Energy 3.15%
LVMH 2.59%	BHP 3.44%	Seven Group 3.05%
Accenture 2.55%	CBA 3.28%	Carsales.Com 3.00%
Costco 2.45%	NAB 3.21%	Lifestyle Communities 2.70%
Thermo Fisher 2.39%	Contact Energy 3.00%	EBOS Group 2.69%
Danaher 2.32%	Summerset 3.00%	Sandfire Resources 2.58%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon) rate, maturity year, size of fund holding (as % of total portfolio).

Milford and Milford staff have approximately $32.3 million invested across our Investment Funds as at the end of December 2021.

Kate Power
Junior Investment Analyst

Investment Highlight: Neuren Pharmaceuticals

A promising new drug therapy for those with Rett Syndrome

In December, Neuren Pharmaceuticals and its partner Acadia Pharmaceuticals announced positive phase 3 clinical trial results for their experimental drug trofinetide in the treatment of Rett syndrome (see below). The results saw the stock price rally 135%.

Milford have owned Neuren Pharmaceuticals since October 2007. More recently we supported capital raisings in June 2020 and September 2021 and announced our substantial shareholder position in December 2021 with a 5.2% shareholding.

Improving the lives of people with neurodevelopmental disabilities

Neuren researches and develops new drug therapies for rare and debilitating neurodevelopmental disorders that appear in early childhood. Specifically, the diseases Neuren target are characterised by damaged connections and signals between brain cells. Rett syndrome is a severely debilitating disorder that is caused by a genetic mutation of the MECP2 gene. A typical child with Rett syndrome will have severe learning disabilities, respiratory problems, uncontrollable hand movements and seizures. There is currently no approved treatment for Rett syndrome, making the recent clinical trial success a huge moment for sufferers of Rett syndrome and their families.

Trofinetide is licensed to Acadia for North America, whereby Neuren is entitled to royalty and milestone payments upon commercialisation. Neuren retain the rights to the rest of the world, and we expect to see a licensing agreement for Europe announced in the next few months. Acadia will be seeking regulatory approval from the FDA in early 2023 so the drug is approved for sale in North America. We believe it is 90 to 95% likely to receive FDA approval given the strength of the phase 3 trial results and the fact that there is no alternative treatment for patients with Rett syndrome.

The market for trofinetide

The possible market size for trofinetide for Rett syndrome in North America is somewhere near US$500m in annual sales with Neuren receiving a 10-15% royalty share. The costs of the drug will be covered by insurance companies meaning families suffering from the disease should have access once the approval is received. The revenue opportunity for the drug outside of North America is expected to be similar in size.

Beyond Rett syndrome treatment, Neuren and Acadia will eventually conduct a phase 3 trial for trofinetide's treatment of other neurological disorders such as Fragile X Syndrome. Neuren also has earlier phase 2 trials for a second drug to treat other genetic diseases Phelan-McDermid syndrome, Angelman syndrome, Pitt Hopkins syndrome and Prader-Willi syndrome. If successful, the potential market size for this drug is much larger than trofinetide but is in earlier stage trials, so the chance of success is lower. That said, the success of trofinetide is an encouraging sign for the future of this drug.

Conclusion

After many years owning shares in Neuren we are very proud of their recent success. If trofinetide is approved by the FDA in early 2023, Neuren will be bringing aid to thousands of suffers of Rett Syndrome.

However, they are not there yet as the FDA may still deny the drug which would be extremely disappointing for Rett sufferers and would also likely result in the share price falling substantially - so investors must recognise this risk. But assuming success, we believe Neuren has a long way to go as a business and there should be upside from its pipeline of drug treatments for other genetic diseases.