

# Milford Australian Absolute Growth Fund - R Class

## June 2022



### Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Wayne Gentle**  
Portfolio Manager



**Jason Kururangi**  
Co-Portfolio Manager

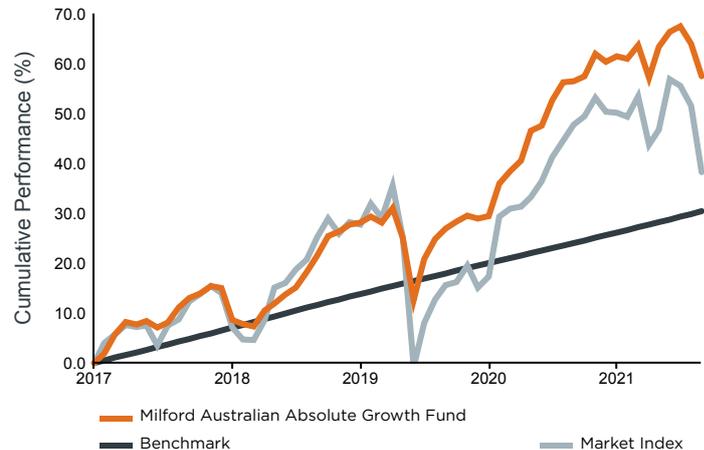
Australian shares joined the global share market rout in June as increasing fears of a global recession saw the sectors that had held the ASX 200 up year to date – banks and resources – decline 13.9% and 10.6% respectively. The Australian Absolute Growth Fund declined 3.9% compared to a fall by the ASX 200 of 8.8%. For the calendar year to date the Fund has fallen 3.8% against the ASX 200 decline of 9.9%. In a sharp downturn the Fund is unable to fully protect the value of your investment, but we are doing all we can to cushion the impact of the market decline as shown by the numbers above.

Key to outperforming the market last month was our minimal exposure to banks and the large iron ore miners. We only have 2.5% in Australian banks (through NAB) as we believed the market would increasingly focus on the bad debt risks of RBA interest rate hikes rather than the margin benefits. We are expecting house price declines up to or over 20% in key Australasian capital cities that will test investor convictions about low bad debts in the banks' mortgage books. While these bad debts may indeed be modest, we expect a larger risk premium to be priced into bank equities when house prices reach such significant declines.

The outlook for iron ore has worsened with data showing an excess of steel inventories in China as the expected demand recovery from property in China has not eventuated as the industry expected. Steel demand is unlikely to recover quickly as property sales remain subdued, developers are sitting on record levels of unsold houses and home buyers are reluctant to make down payments on new developments given the risk of developers collapsing. Hence, we see iron ore prices continuing to fall as steel mills reduce production and iron ore miners will likely decline also. The miners are particularly vulnerable as they have been sought out as a safe haven by many investors this year. We sold our small remaining positions in BHP and RIO over the month.

We have increased our positions in defensive and quality companies which offer more earnings certainty as Australian growth slows further. Many of these companies managed to produce positive returns last month such as Collins Foods, ResMed, Woolworths, Coles, CSL and Ampol.

### Investment Performance to June 2022\*



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

### Key Fund Facts

<b>Objective</b>	Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital over rolling three-year periods.
<b>Description</b>	A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging.
<b>Benchmark</b>	RBA Cash Rate + 5% p.a.
<b>APIR</b>	ETL1090AU
<b>mFund Code</b>	MFA04
<b>Redemption Price as at 30 Jun</b>	\$0.9963
<b>NAV as at 30 Jun</b>	\$156.3 Million
<b>Inception Date</b>	October 2017
<b>Minimum Investment</b>	\$20,000
<b>Recommended Investment Timeframe</b>	5 years +
<b>Buy-sell Spread</b>	+/-0.20%
<b>Entry/Exit Fee</b>	Nil
<b>Management Fee</b>	1.05%
<b>Performance Fee</b>	15.35% p.a. of returns above the benchmark subject to achieving the high watermark.
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency</b>	Biannual

## Investment Performance to June 2022\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Australian Absolute Growth Fund	-3.93%	-3.78%	0.67%	9.03%	-	10.04%
Benchmark	0.46%	2.57%	5.17%	5.33%	-	5.76%
Over/Underperformance	-4.39%	-6.35%	-4.50%	3.70%	-	4.28%
S&P/ASX 200 (TR) Index	-8.77%	-9.93%	-6.47%	3.34%	-	7.05%
Over/Underperformance	4.84%	6.15%	7.14%	5.69%	-	2.99%

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 Fund is 02 October 2017.

## Top Security Holdings

Holdings	% of Fund
CSL	7.80%
Irongate	4.89%
Metcash	3.78%
Contact Energy	3.17%
Telstra	3.07%
Resmed	2.89%
Coles	2.70%
NAB	2.50%
Goodman	1.97%
Vifor Pharma	1.77%

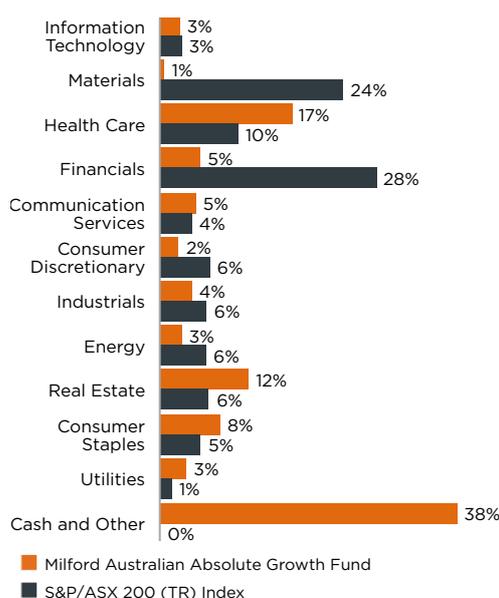
## Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities*	46.13%	75-85%	0-100%
International Equities	15.50%	0-10%	0-30%
Cash and Other #	38.37%	0-10%	0-100%

\* Includes New Zealand Equities

# Effective Cash reported above is adjusted to reflect the Fund's notional positions.

## Sector Allocation



## Ratings



## Awards



## 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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