

# Milford Dynamic Small Companies Fund

June 2022



## Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Michael Higgins**  
Portfolio Manager

June was another challenging month for equity markets, with the prospect of slower global growth against rising interest rates and tighter financial conditions. The S&P/ASX Small Ordinaries fell 13.1% for the month compared to the Dynamic Small Companies Fund which fell 9.0%. Our cautious positioning and elevated cash position provided some resistance to the sell-off, with the downside capture of 67%, better than our 8-year strategy downside capture of ~80% (vs upside of 117%).

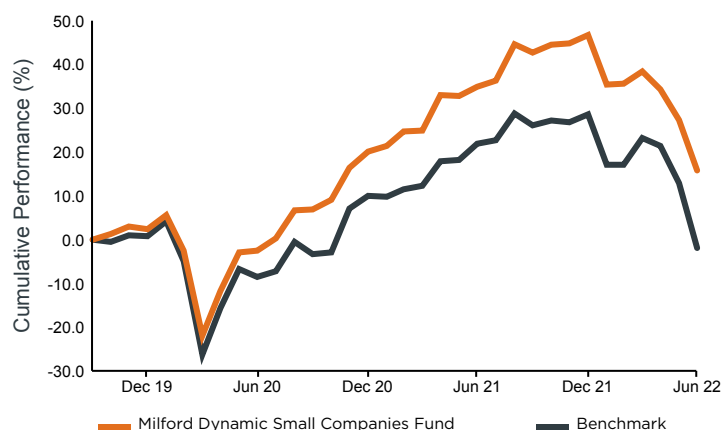
Performance was led by KFC restaurant owner Collins Foods (+7.5%) which rallied following the release of its FY22 earnings. Australian restaurants were resilient with very strong same store comparable sales for the prior period. Trends like increased dinner spend is encouraging which we think suggests a weaker consumer trading down. We believe the price point of \$25 to feed a family of four is an attractive alternative. Collins has an excellent balance sheet and trades on an undemanding valuation multiple.

Intellectual Property (IP) services firm IPH (+3.3%) performed resiliently over the month. IPH is the leading IP services firm in the APAC region. Having led the consolidation of the Australian and New Zealand market, it has the potential to expand globally into new markets. Its growth profile is supported by excellent cash flow and a strong balance sheet. IPH is a key defensive position in the Fund, with earnings also leveraged to a declining Australian Dollar.

Detractors included gold miner Evolution (-38.0%) after they downgraded their outlook from FY22-24 and investment platform HUB24 (-16.4%). HUB24 is a structural winner as financial advisors migrate away from the major banks, favouring smaller more nimble advice firms which use HUB24.

Our decision to build cash and tilt the portfolio towards defensive stocks has provided some insulation from the broader macro risks. From a stock picking perspective, it's worth remembering that while valuations have derated from recent highs, consensus earnings expectations remain optimistic. The US only just started its tightening cycle three months ago, with Australia reluctantly joining the party in May. In our view, the economic and behavioural impacts of rate rises will start to emerge through company earnings outlook statements in the coming months. As we await more clarity in the economic outlook, we continue to build out a long shopping list of quality businesses to add to the portfolio once they reach more attractive valuation levels.

## 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>	The fund targets outperformance of the S&P/ASX Small Ordinaries (TR) Index over the minimum recommended investment timeframe (net of fees)
<b>Description</b>	Primarily invests in small to mid-cap Australian equities
<b>Benchmark</b>	S&P/ASX Small Ordinaries (TR) Index
<b>APIR</b>	ETL6978AU
<b>mFund Code</b>	MFA02
<b>Redemption Price as at 30 Jun</b>	\$1.0841
<b>NAV as at 30 Jun</b>	\$37.6 Million
<b>Inception Date</b>	October 2019
<b>Minimum Investment</b>	\$20,000
<b>Recommended Investment Timeframe</b>	8 years +
<b>Buy-sell Spread</b>	+/-0.30%
<b>Entry/Exit Fee</b>	Nil
<b>Management Fee</b>	1.23%
<b>Performance Fee</b>	20.50% p.a. of returns above the benchmark subject to achieving the high watermark.
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency</b>	Biannual

## Milford Dynamic Small Companies Fund June 2022

### Investment Performance to June 2022\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Dynamic Small Companies Fund	-8.98%	-21.06%	-14.15%	-	-	5.49%
Milford Dynamic Fund (Strategy) ***	-8.98%	-21.06%	-14.15%	8.24%	10.14%	10.44%
Benchmark	-13.09%	-23.74%	-19.52%	0.38%	5.07%	5.14%
Over/Underperformance	4.11%	2.68%	5.37%	7.86%	5.07%	5.30%

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

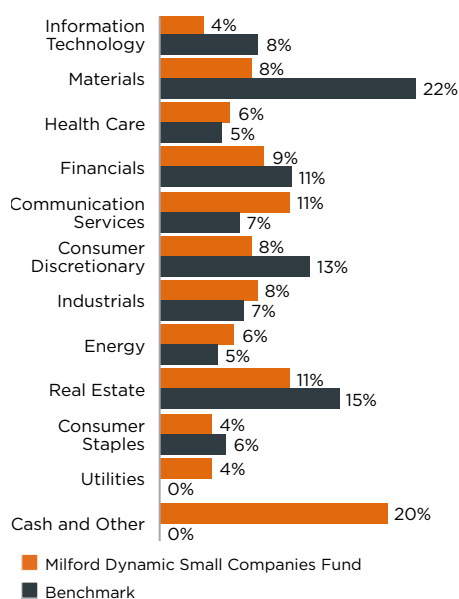
Holdings	% of Fund
Contact Energy	4.45%
Metcash	4.15%
IPH	4.14%
Collins Foods	4.08%
HUB24	3.06%
Viva Energy Group	2.88%
oOh!media	2.87%
Carsales.Com	2.50%
Irongate	2.49%
EBOS Group	2.41%

### Current Asset Allocation

	Actual	Neutral	Maximum Range
Australian Equities	76.05%	90.0%	0-100%
New Zealand Equities	4.45%	0%	0-20%
Cash and Other #	19.50%	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, 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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