

Milford Australian Absolute Growth Fund - R Class

February 2024



Portfolio Managers



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February saw continued strength in US equities, while Australian equities produced modest gains as leadership continues to be in technology companies with resources pulling back. Some signs of a tick up in inflation in the US led to higher rates over the month, as expectations of rate cuts continued to be pushed back.

The Fund returned -1.5% over the month as our sector selection and stock picking did not work out over this reporting season. The Fund is weighted more to resources and energy - which were the worst sectors in the ASX over the month - and has only modest investments in financials, consumer discretionary and IT stocks which were the stronger sectors. We are comfortable with our sector allocations from the risk reward offered.

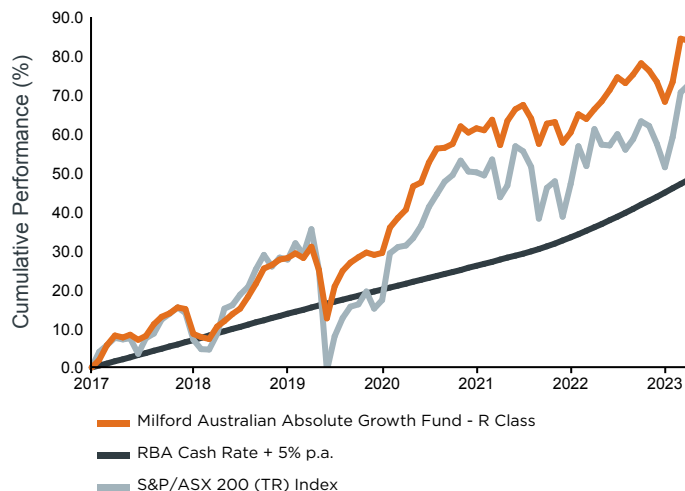
On the stock picking front, our key winners were The A2 Milk Company (+19.9%), Light & Wonder (+20.0%), Xero (+14.9%), and Carsales (+11.4%). A2 Milk has had an improvement in its infant formula sales channels. Light & Wonder has had success with the launch of a new game. Xero has been cutting costs and improving its product in Australia and New Zealand.

On the negative side, a number of stocks contributed to the Fund's decline over the month, in some of our larger positions.

After a strong few months, Neuren Pharmaceuticals pulled back 18.0%. We remain optimistic about Neuren's drug Daybue and its pipeline drug NNZ2591. Our other losers were in resources and energy where commodity prices have continued to pull back. South32 was down 11.9% while BHP and Rio Tinto were both down 7.1% and 6.9% respectively. Santos pulled back 6.4% as a possible merger with Woodside did not proceed. With economic growth accelerating in the US and not as bad as feared in Europe, we may see a strong recovery in commodities as China stimulus begins to help with its economic growth and resources demand.

The Fund maintains a balanced asset allocation with some cash to reflect markets that are modestly expensive and over-extended, but invested enough to participate in further market gains. We have used reporting season to top up some of our positions that were weak and some new positions in businesses with improved outlooks.

Investment Performance to February 2024¹



Key Fund Facts

| | |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Objective | Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital over rolling three-year periods. |
| Description | A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging. |
| Benchmark | RBA Cash Rate + 5% p.a. |
| APIR | ETL1090AU |
| Redemption Price as at 29 Feb | \$0.9508 |
| Fund Size* | \$395.4 Million |
| Inception Date | October 2017 |
| Minimum Investment | \$1,000 |
| Recommended Investment Timeframe | 7 years + |
| Buy-sell Spread | +/-0.20% |
| Entry/Exit Fee | Nil |
| Management Fee | 1.05% |
| Performance Fee | 15.35% 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

Milford Australian Absolute Growth Fund February 2024

Investment Performance to February 2024²

| | 1 Month | 6 Months | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.) ³ |
|----------------------------------------------------------------|---------|----------|--------|----------------|----------------|-------------------------------------|
| Milford Australian Absolute Growth Fund - R Class ⁴ | -1.46% | 2.82% | 7.64% | 7.34% | 10.11% | 9.71% |
| Benchmark | 0.71% | 4.51% | 9.08% | 6.97% | 6.43% | 6.45% |
| Excess Return | -2.17% | -1.69% | -1.44% | 0.37% | 3.68% | 3.26% |
| S&P/ASX 200 (TR) Index | 0.79% | 7.42% | 10.64% | 9.32% | 8.61% | 9.02% |
| Excess Return | -2.25% | -4.60% | -3.00% | -1.98% | 1.50% | 0.69% |

Top Security Holdings

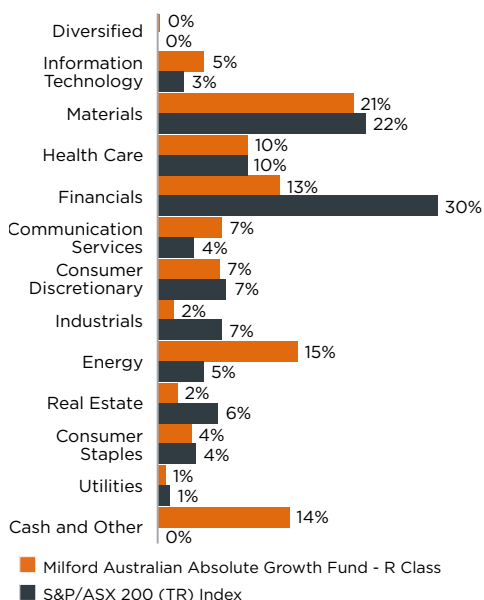
| Holdings | % of Fund |
|------------------------|-----------|
| BHP | 6.62% |
| Santos | 4.49% |
| Viva Energy Group | 3.90% |
| Telstra | 3.85% |
| CSL | 3.58% |
| Altium | 3.44% |
| Neuren Pharmaceuticals | 3.02% |
| Suncorp Group | 2.44% |
| Shell | 2.33% |
| Rio Tinto | 2.33% |

Current Asset Allocation

| | Actual | Typical Range | Maximum Range |
|------------------------|--------|---------------|-----------------|
| Australasian Equities | 66.97% | 75-85% | 0-100% |
| Derivatives | 15.01% | NA | NA [^] |
| International Equities | 4.04% | 0-10% | 0-20% |
| Cash and Other | 28.84% | 0-20% | 0-50% |

[^] refer to PDS for limits on derivative exposure

Sector Allocation



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.

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 02 October 2017. 4. The performance stated combines the performance of the Australian Absolute Growth Fund - W Class from 2 October 2017 to 30 June 2021, and the performance of the Milford Australian Absolute Growth Fund - R Class thereafter. 5. Cash and Other reported above is adjusted to reflect the Fund's notional positions.

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Milford Australian Absolute Growth Fund - R Class'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.