

Milford Australian Absolute Growth Fund - R Class

March 2024



Portfolio Managers



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The Fund rallied 2.9% in March driven by strength in resource stocks and some technology stock picks. Loosening in financial conditions on the back of anticipated rate cuts has propped up economic growth, and in some regions – such as the US – has seen a sharp recovery in manufacturing surveys which is positive for resources. China, which to date has remained subdued, has also shown some green shoots in manufacturing data. We have been adding exposure to copper miners in addition to some aluminium, while maintaining our already significant weights in energy and gold businesses.

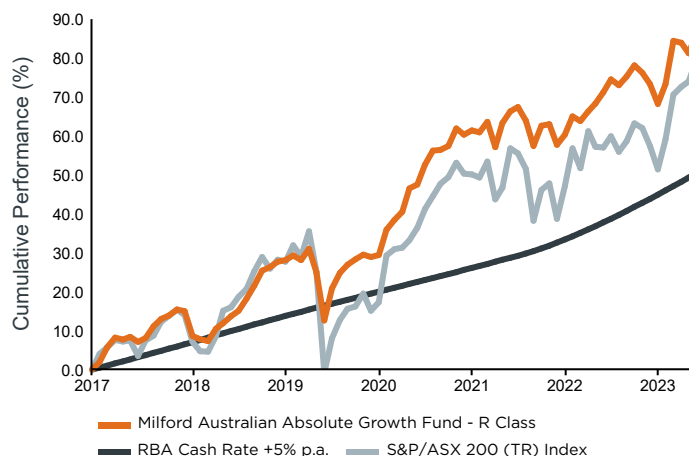
Our BHP and Rio Tinto positions were trimmed marginally into their recent rally to favour pure copper exposures. The copper market has tightened significantly and has a positive demand outlook on AI-driven data centre construction, renewables investment and the US economic acceleration. The gold price has reached all-time highs above US\$2,200/oz on the back of strong central bank buying as an alternative to USD reserves and at least some investors seeking out inflation hedges as the US Fed seems determined to cut rates despite increasing inflation and growth. Our key resource winners last month were Newmont (+17.7%), NexGen (+9.0%), Beach Energy (+14.7%), and Santos (+9.5%).

Outside of resources, some technology ideas have done well. Leading family safety and location app Life360 continued to rally as it began to add advertising to its apps which will drive a step change in growth and earnings. Webjet rallied 26.9% as its global hotel bed aggregation business has an improving and more clear growth trajectory, while Neuren Pharmaceuticals bounced back 9.6% after a weak month in February. We approach an interesting phase where asset markets including equities, credit, gold and even some bonds have been buoyed by the prospect of rate cuts. At some level, the promised Fed rate cuts are more likely aimed at helping the indebted and overspending US government with its interest payments, rather than any real victory on inflation. The recent acceleration of US growth and inflation are making it more difficult for the Fed to promise rate cuts and maintain credibility. However, they may still go ahead with cuts this year to help the Government's funding position.

Even if rate cuts do not happen, overall monetary conditions will most likely remain too loose until after the US elections in November. In this environment, gold and resources can do very well as they are under-owned by investors and serve as a great store of wealth when fiat currencies (backed by an issuing government) are depreciated through loose monetary policy.

Equities are also a good long-term store of wealth against inflation. We caution that certain over-loved sectors within equities are not a great medium-term store of wealth and are vulnerable to sharp losses in the short-term if rate cuts do not occur and investor exuberance unwinds. The same can be said about some broader equity market indices.

Investment Performance to March 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 31 Mar	\$0.9785
Fund Size*	\$410.6 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

In this context, the Fund is 84% invested in long equities with some derivatives to provide some protection in this over-extended market. We have a sizeable position in resources where we see good value, store of wealth characteristics, improving fundamentals and favourable investor positioning dynamics. Outside of resources we have found new stock picking opportunities with step changes in growth such as Life360 and Webjet to sit alongside existing key picks such as Neuren Pharmaceuticals, general insurers and CSL.

The goal of this Fund is to deliver strong returns while managing absolute downside risk, and we feel the Fund positioning today balances those goals as well as we can in this market backdrop.

Investment Performance to March 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	2.91%	7.58%	8.91%	8.12%	10.39%	10.06%
Benchmark	0.76%	4.56%	9.15%	7.09%	6.48%	6.48%
Excess Return	2.15%	3.02%	-0.24%	1.03%	3.91%	3.58%
S&P/ASX 200 (TR) Index	3.27%	14.17%	14.45%	9.61%	9.15%	9.44%
Excess Return	-0.36%	-6.59%	-5.54%	-1.49%	1.24%	0.62%

Top Security Holdings

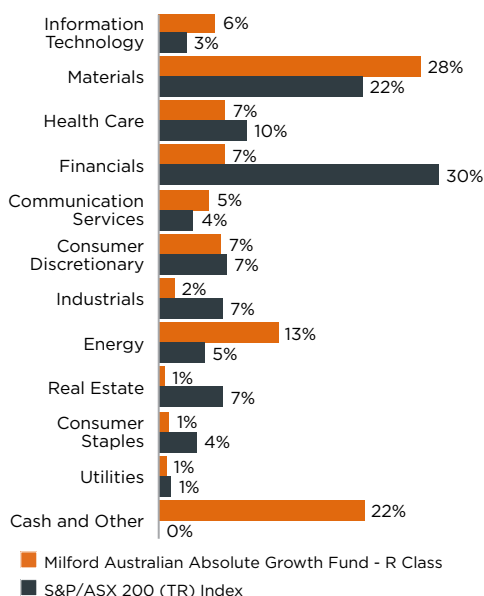
Holdings	% of Fund
BHP	5.32%
Santos	4.42%
Telstra	4.38%
Viva Energy Group	4.15%
CSL	4.00%
Newmont	3.63%
Altium	3.36%
Neuren Pharmaceuticals	3.09%
Suncorp Group	2.82%
South32	2.78%

Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australasian Equities	77.44%	75-85%	0-100%
Derivatives	-5.09%	NA	NA [^]
International Equities	5.48%	0-10%	0-20%
Cash and Other	17.03%	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.