

Milford Australian Absolute Growth Fund - W Class

December 2024



Portfolio Managers



William Curtayne
Portfolio Manager



Wayne Gentle
Portfolio Manager



Jason Kururangi
Co-Portfolio Manager

The ASX 200 fell 3.2% in December, following US Equity markets where the S&P 500 fell 2.3%. This was largely attributed to higher bond yields with the US 10-year increasing 40bps to 4.6%, reaching the highest levels since May-24 combined with bullish equity positioning. The Fund returned -3.1% over December.

It was a challenging year relative to the broader equity market, which saw investors crowding into momentum quality and growth stocks at high valuations and a large re-rating in banks. Our disciplined approach to stock selection and risk management, which has delivered strong outcomes for investors through many market cycles, had the Fund positioned at relatively low weightings in these areas. This environment has been accentuated by passive and super flows driving market concentration higher and pushing aggressive chasing of large weight companies like CBA to cover relative underweight positions. With retail investors and many active managers increasingly less valuation focused, it has been an environment continuing to support high growth and quality companies at higher multiples, while punishing those that show volatility in earnings expectations.

Our investment process was developed with a strong focus on managing risk for our investors. With the above conditions in play, it's not surprising to see a decoupling in the Fund's performance against the ASX 200. We prioritise long-term returns over chasing short-term gains, which means avoiding overvalued stocks that are likely to underperform materially in a market downturn. We are committed to the strategy, which has and we believe will continue to perform well over time in terms of both return and risk.

We have strengthened the portfolio with additional investments in high-quality companies such as Xero, Goodman Group, CSL and Infratil, which we believe offer growth at more reasonable valuations. But we cannot overexpose the Fund to growth and quality stocks at this time and particularly the most overvalued companies or those with increased earnings risk given they will likely do very poorly during the next market downturn. Over time the right approach is to manage total exposure in expensive companies but periodically – like in 2024 – this will create a short-term relative performance gap.

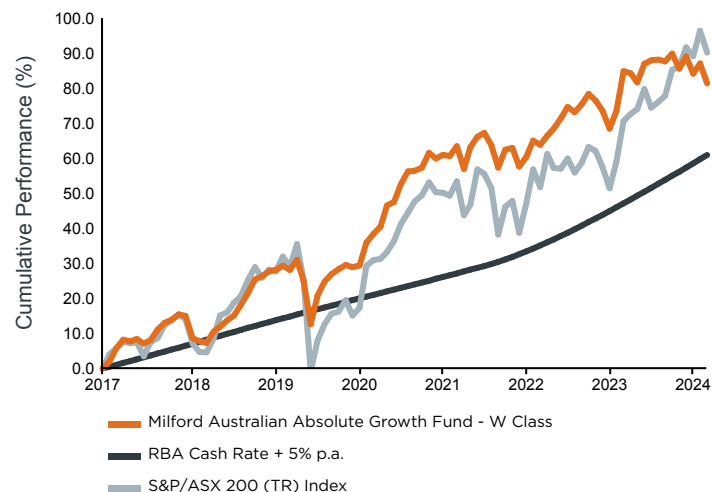
Looking at the year ahead we expect economic growth is likely to continue to moderate in both Australia and the US which means a rally in cyclical stocks is not imminent while China is yet to embark on substantial stimulus creating a subdued environment for many resource businesses. If that proves correct then for the time being defensive, quality and growth stocks may continue to outperform the broader market. One of the main risks to watch this year is if bond yields continue to rise and exceed 5% it will likely cause a market drawdown and significant rotation away from the most expensive businesses. Considering the above, the portfolio is near 80% invested in equities with a balance of growth, quality, income and resources more weighted to copper and gold miners than iron ore and other commodities.

In December, apparel retailer Universal Store rallied 10.0% as it continued to take market share from competitors while BlueScope Steel (-15.5%) and Teck Resources (-13.0%) pulled back post rallying the prior month on Trump optimism.

While 2024 presented challenges, our disciplined approach positions us well to deliver sustainable performance and manage risk effectively in the years to come.

Cumulative Performance (after fees and expenses)

31 December 2024



Performance since inception and assumes reinvestment of distributions. Past performance is not a reliable indicator of future performance.

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 | ETL8155AU |
| Redemption Price as at 31 Dec | \$1.176 |
| Fund Size* | \$466.3 Million |
| Inception Date | October 2017 |
| Minimum Investment | \$50,000 |
| Recommended Investment Timeframe | 7 years + |
| Buy-sell Spread | +/-0.20% |
| Entry/Exit Fee | Nil |
| Management Fee | 0.90% |
| 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

The Australian Absolute Growth Fund is now accessible as a listed share class on the ASX



Look for Ticker Code: MFOA

Investment Performance to 31 December 2024

| | 1 Month | 3 Months | 1 year | 3 years (p.a.) | 5 years (p.a.) | Since inception (p.a.) |
|---|---------|----------|---------|----------------|----------------|------------------------|
| Milford Australian Absolute Growth Fund - W Class | -3.07% | -4.08% | -1.89% | 3.51% | 7.19% | 8.55% |
| RBA Cash Rate + 5% p.a. | 0.76% | 2.28% | 9.37% | 8.16% | 6.97% | 6.78% |
| Excess Return | -3.83% | -6.36% | -11.26% | -4.65% | 0.22% | 1.77% |
| S&P/ASX 200 (TR) Index | -3.15% | -0.80% | 11.44% | 7.41% | 8.05% | 9.27% |
| Excess Return | 0.08% | -3.28% | -13.33% | -3.90% | -0.86% | -0.72% |

Past performance is not a reliable indicator of future performance. Returns greater than one year are annualised.

Top Security Holdings

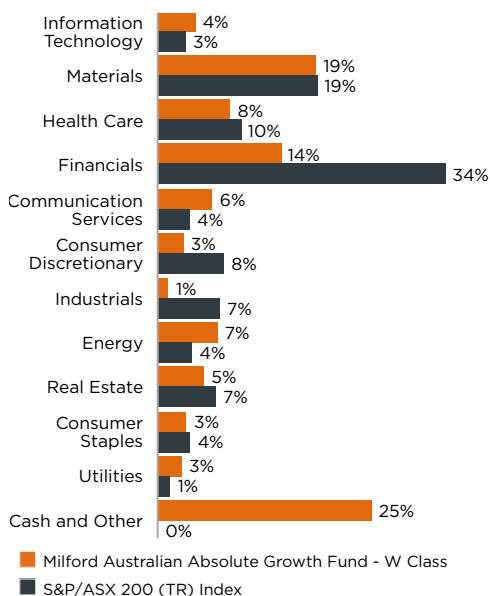
| Holdings | % of Fund |
|-------------------|-----------|
| CSL | 5.14% |
| BHP | 4.45% |
| Macquarie | 3.07% |
| Telstra | 2.87% |
| NAB | 2.86% |
| Woolworths | 2.80% |
| Viva Energy Group | 2.54% |
| Santos | 2.46% |
| Goodman | 2.34% |
| Teck Resources | 2.30% |

Current Asset Allocation

| | Actual | Typical Range | Maximum Range |
|------------------------|--------|---------------|-----------------|
| Australasian Equities | 71.08% | 75-85% | 30-100% |
| Derivatives | -2.78% | NA | NA [^] |
| International Equities | 6.80% | 0-10% | 0-20% |
| Cash and Other | 21.99% | 0-20% | 0-50% |

[^] Refer to PDS for limits on derivative exposure.

Sector Allocation



Ratings



Morningstar Medalist Rating™
As at 31-08-2024
Analyst-Driven % 55
Data Coverage % 98

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.



Milford Australian Absolute Growth Fund as at 31 December 2024

Platform Availability

Asgard, BT Panorama, CFS FirstWrap, HUB24, IOOF, Macquarie Wrap, Mason Stevens, MLC, MyNorth, Netwealth, PowerWrap, Praemium.

Also now available as a listed active ETF, ASX:MFOA.

For more information on the listed class visit: milfordasset.com.au/MFOA

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The Morningstar Medalist Rating™ for Milford Australian Absolute Growth Fund - W Class is “Bronze” as of 31/08/2024.

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