



# The Milford Active Growth Fund

## Fund Update

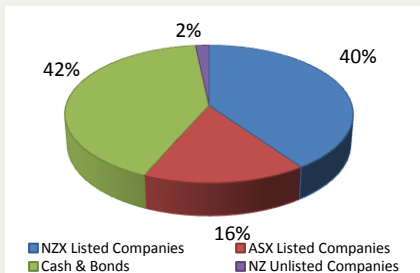
January 2012

### Portfolio Manager



Brian Gaynor

### Portfolio Mix



### Fund Size

\$201 million at 31/12/2011

### Fees

1.05% capped annual fee plus a Performance Fee equal to 15% of returns above 10% (after fees & before tax).

### Investment Objective

The Fund invests in Australasian securities and has a targeted return of 10% (after fees & before tax) p.a. over a minimum 5 year horizon.

### Dear Fellow Investors

2011 was a disappointing year with your Fund achieving a return of 2.6%, before tax, but 3.0% after tax because of excess imputation credits. This compares with a targeted return of 10% per annum over a minimum five year horizon.

It was extremely difficult to achieve this 10% target with the NZX50 Gross Index falling 1.0%, the ASX200 Accumulation (gross) index down 10.4% in New Zealand dollar terms and NZ 90 day bank bills returned just 2.9% for the year. Higher bond yields did not compensate for the negative performance of the New Zealand and Australian sharemarkets.

We were reasonably happy with our stock selection as Ryman, Diligent, Turners Auctions, Trade Me (which listed in December), Telecom and Mainfreight all outperformed the sharemarket average. Your Fund did not have large holdings in any of the poorly performing companies.

In addition we made the correct decision to reduce our exposure to Australia and have a particularly defensive approach across the Tasman.

Unfortunately the outlook for 2012 is not particularly encouraging and it will be difficult to achieve our 10% target. Nevertheless we are determined to achieve this objective.

The United States economy is showing signs of improvement but Europe is facing major difficulties and will go into recession. The Chinese economy is also facing a slowdown in export growth, falling real estate sales and prices, too much local government debt and a fragile banking system.

Australia would be negatively impacted by a dramatic Chinese slowdown and this would flow on to New Zealand. Our economy will not be immune from a European, Chinese and Australian downturn and we have our own problems because of the continuing aftershocks in Christchurch and escalating government debt levels.

Thus we will have to be smart and nimble to achieve our targeted return of 10% in 2012. Our stock selection will have to be particularly good, we will have to pick the winners and avoid the poorly performing companies. The Fund will probably increase its exposure to equities because dividend yields are often higher than the returns available from bank bills and bonds.

This is why our exposure to Chorus and Telecom have increased in recent months and Spark Infrastructure is our largest Australian holding.

Although the outlook for 2012 is not particularly encouraging there are still plenty of positive investment opportunities in New Zealand and Australia. Our job is to identify these.

Brian Gaynor

Disclosure of interest: Brian Gaynor and his immediate family have \$330,000 invested in the Fund at the 31 December 2011 unit price.

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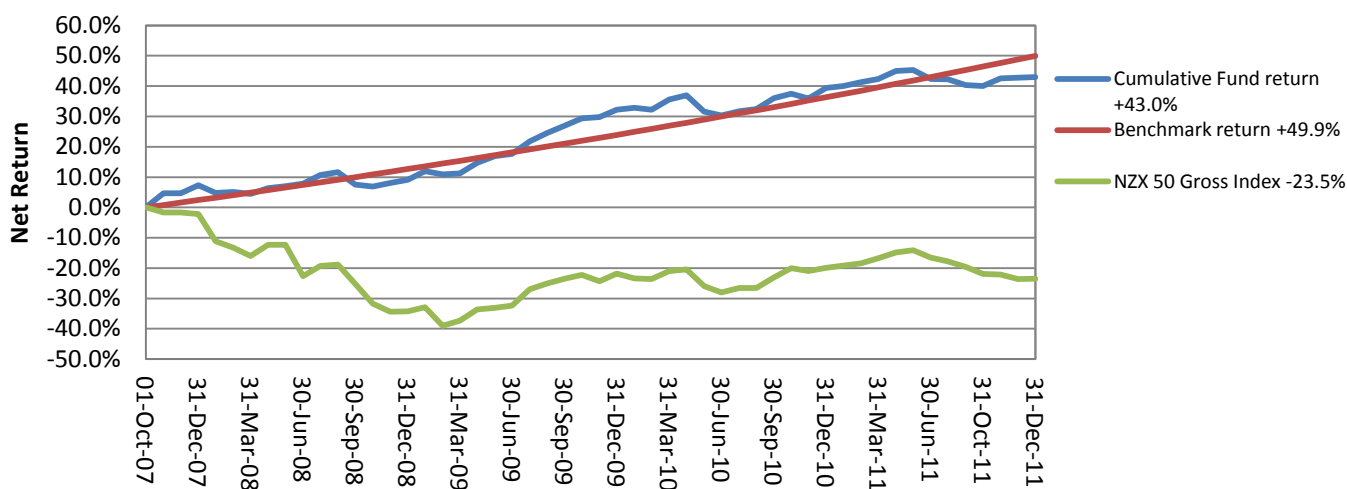
Performance to 31 December 2011 (after fees and before tax)

	Past Month	Past 1 Year	Past 2 Years (p.a)	Past 3 Years (p.a)	Since Inception 1 October 2007 (p.a)
<b>Milford Active Growth Fund</b>	+0.1%	+2.6%	+4.0%	+9.4%	+8.8%
<b>Benchmark</b>	+0.8%	+10.0%	+10.0%	+10.0%	+10.0%
<b>Over / Under Benchmark</b>	(0.7%)	(7.4%)	(6.0%)	(0.6%)	(1.2%)
<b>Fund's after tax return*</b>	+0.2%	+3.0%	+3.5%	+9.1%	+7.7%
<b>NZX 50 Gross Index</b>	+0.1%	(1.0%)	+0.7%	+6.4%	(6.1%)

\*For investors on the top marginal tax rate

Investment Performance

(cumulative returns are since inception, before tax and after fees)



Holdings

Company	Holding	Company	Holding
Ryman Healthcare (NZ)	4.1%	Ramsay Health Care (AUST)	1.5%
Chorus (NZ)	3.2%	Kauri Property Fund (NZ)	1.4%
Diligent Board Member Services (NZ)	3.1%	Auckland International Airport (NZ)	1.2%
Restaurant Brands (NZ)	2.9%	Amcor (AUST)	1.2%
Turners Auctions (NZ)	2.5%	Mirvac (AUST)	1.1%
Trade Me Group (NZ)	2.4%	Ecoya (NZ)	1.1%
Tower (NZ)	2.4%	Coca-Cola Amatil (AUST)	1.1%
Sky TV (NZ)	2.3%	Cromwell (AUST)	1.0%
Delegat's (NZ)	2.3%	Skellerup (NZ)	1.0%
Telecom (NZ)	2.2%	Brambles (AUST)	1.0%
Mainfreight (NZ)	1.9%	Wesfarmers (AUST)	1.0%
Spark Infrastructure (AUST)	1.7%	Various other holdings*	13.3%
Sky City (NZ)	1.6%	Bonds	7.4%
		Cash	34.1%

\*Holdings of 0.9% or less have been combined into 'Various other holdings'.

