



The Milford Active Growth Fund

Client Update

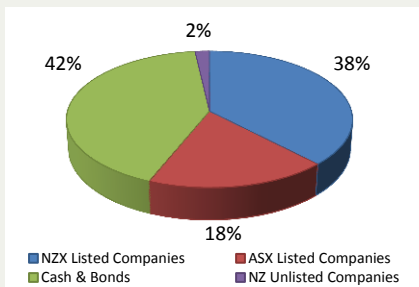
October 2011

Portfolio Manager



Brian Gaynor

Portfolio Mix



Fund Size

\$186 million at 30/09/2011

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

Your Fund changed its name from the Milford Aggressive Fund to the Milford Active Growth Fund on 1 October but it is important to note that there is no change to the Fund's investment mandate or investment style.

We have made the name change because "Active Growth" is a more accurate reflection of the Fund's style than "Aggressive".

The objective of the fund is to achieve an annualised return of 10.0% per annum, after all fees but before tax, regardless of market conditions. The Fund has to have a growth bias to achieve this target.

However, the Fund can increase and decrease its exposure to growth assets, mainly New Zealand and Australian listed companies, depending on market conditions.

For example, since the beginning of 2010 the percentage of the Fund invested in growth assets has fluctuated from 45% to a high of 76% and 58% at present.

The non-growth assets are a combination of cash and bonds. The cash is held with one of the four major trading banks or Kiwibank through a combination of cash or term deposits up to 90 days duration.

The bond portfolio consists of securities issued by companies that are either listed, subsidiaries of listed companies or state-owned enterprises. These are companies that we research as part of our equity universe.

The Active Growth Fund's bond portfolio consists of the following issuers at present: ANZ National Bank, APN Media (NZ), Bank of New Zealand, Guinness Peat Group, Genesis Energy, Insurance Australia (IAG), Telstra, TrustPower, Vector and Works Finance (NZ), a subsidiary of ASX listed Downer EDI.

At present 6% of the Fund's portfolio is invested in bonds and 36% in cash or short term deposits with one of the four major trading banks or Kiwibank.

The ability to reduce and increase the Fund's exposure to growth assets has worked extremely well since it started four years ago. The Fund has had an annualised return of 8.8% (after fees and before tax) over this period compared with a 6.1% annualised negative return for the benchmark NZX50 Gross Index.

On an after-tax basis the Milford Active Growth Fund has had a return of 7.9% per annum (after fees and before tax) since inception for individuals on the top tax rate.

Brian Gaynor

Disclosure of interest: Brian Gaynor and his immediate family have \$316,000 invested in the Fund at the 30 September 2011 unit price.

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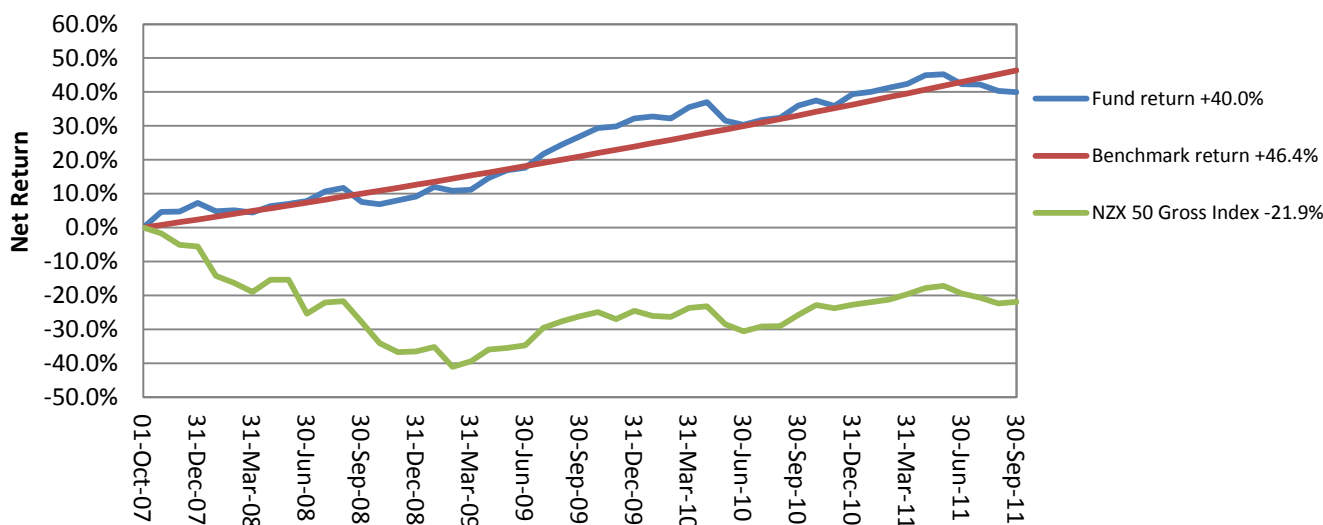
Performance to 30 September 2011 (after fees and before tax)

| | Past Month | Past 1 Year | Past 2 Years | Past 3 Years | Since Inception 1 October 2007 |
|-----------------------------------|------------|-------------|--------------|--------------|-----------------------------------|
| Milford Active Growth Fund | (0.2%) | +2.9% | +10.3% | +30.1% | +40.0% |
| Benchmark | +0.8% | +10.0% | +21.0% | +33.1% | +46.4% |
| Over / Under Benchmark | (1.0%) | (7.1%) | (10.7%) | (3.0%) | (6.4%) |
| Fund's after tax return* | (0.4%) | +3.7% | +8.9% | +27.6% | 35.5% |
| NZX 50 Gross Index | +0.6% | +5.2% | +5.8% | (8.2%) | (21.9%) |

*For investors on the top marginal tax rate

Investment Performance

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



Holdings

| Company | Holding | Company | Holding |
|-------------------------------------|---------|-------------------------------------|---------|
| Ryman Healthcare (NZ) | 4.0% | Skellerup (NZ) | 1.4% |
| Restaurant Brands (NZ) | 3.1% | Air New Zealand (NZ) | 1.2% |
| Turners Auctions (NZ) | 2.5% | Coca-Cola Amatil (AUST) | 1.2% |
| Fletcher Building (NZ) | 2.4% | Auckland International Airport (NZ) | 1.2% |
| Delegat's (NZ) | 2.3% | Amcors (AUST) | 1.1% |
| Telecom (NZ) | 2.3% | Wesfarmers (AUST) | 1.1% |
| Sky TV (NZ) | 2.2% | SAI Global (AUST) | 1.1% |
| Tower (NZ) | 2.2% | Sky City (NZ) | 1.0% |
| Diligent Board Member Services (NZ) | 2.1% | Cromwell (NZ) | 1.0% |
| Mainfreight (NZ) | 2.0% | Brambles (AUST) | 1.0% |
| Spark Infrastructure (AUST) | 1.6% | Briscoe Group (NZ) | 1.0% |
| Ramsay Health Care (AUST) | 1.6% | Various other holdings* | 14.5% |
| Kauri Property Fund (NZ) | 1.5% | Cash and Bonds | 42.0% |
| Salvus (NZ) | 1.4% | | |

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

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