



The Milford Aggressive Fund

Client Update

January 2011

Portfolio Manager



Brian Gaynor

Dear Fellow Investors

The value of your Fund rose by 2.6% in December and by 5.4% for the 2010 calendar year (after all fees and before tax). By comparison the benchmark NZX50 Gross Index appreciated by 2.4% over the same twelve month period.

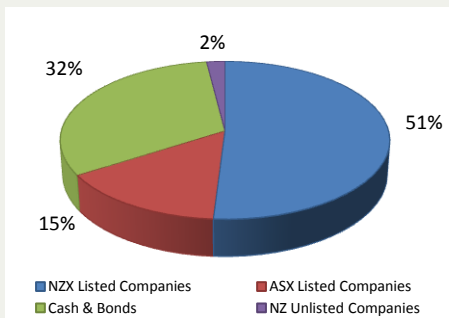
The Fund continues to be on track to achieve its targeted return of at least 10% per annum, after all fees and before tax, over a running five year period.

The outlook for investors for the 2011 year is encouraging although there are a few potential clouds on the horizon. The worst of the Global Financial Crisis seems to be over and the economic outlook for New Zealand is more upbeat with the Rugby World Cup expected to give the domestic economy a positive boost.

However there are a few potential negative developments that we will be monitoring carefully. These include;

- Any signs of a major slowdown in the Chinese economy as this would have an impact on Australia, our major trading partner
- Renewed inflation as this will lead to higher interest rates and further problems for highly indebted households and governments
- Further problems with Euro-zone countries as this will have a negative impact on financial market confidence
- Concerns about protectionism with some politicians and commentators in the United States promoting trade sanctions against China because of the latter's refusal to allow its currency to appreciate more rapidly.

Portfolio Mix



Fund Size

\$143 million at 31/12/2010

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.

Stock selection will continue to be very important as far as the performance of the Fund is concerned and in this regard we have performed well to-date. The top three performing 2010 benchmark index stocks- Skellerup, Restaurant Brands and Mainfreight - are all included in the portfolio and our clear objective is to continue to pick the top performing companies on the NZX as well as the ASX.

We now have six full time portfolio managers and analysts, all of whom have specific companies to cover. Their objective is to identify undervalued companies for inclusion in the portfolio.

You can also expect the Fund to play a more aggressive role as far as corporate governance issues are concerned in the year ahead.

Brian Gaynor

Disclosure of interest: Brian Gaynor and his immediate family have \$301,000 invested in the Fund at the 31 December unit price.

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www.milfordasset.com

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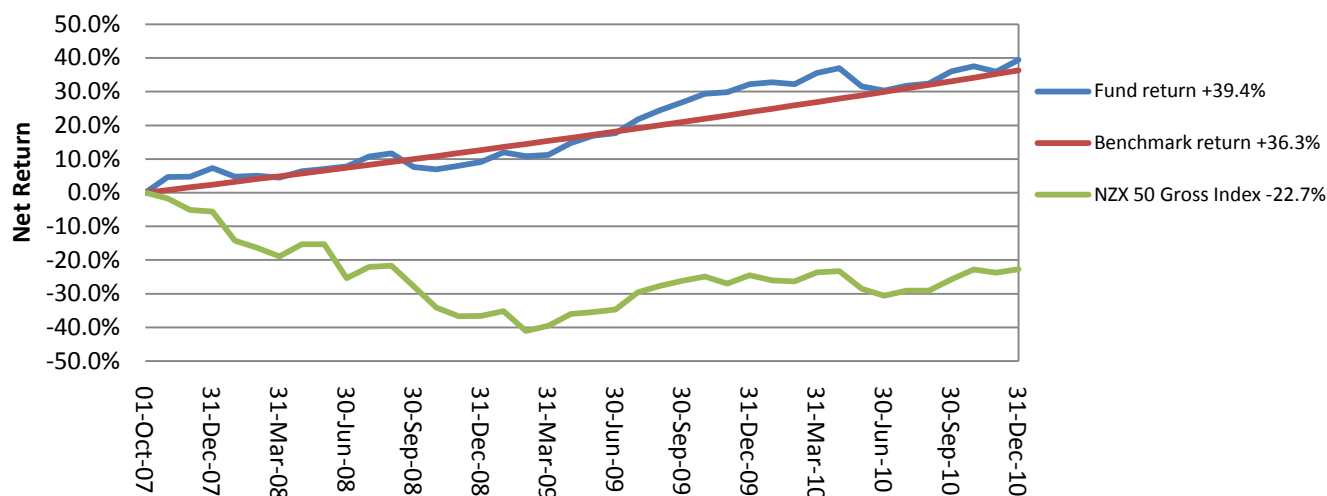


Performance to 31 December 2010 (after fees and before tax)

	Past Month	Past 1 Year	Past 2 Years	Past 3 Years	Since Inception 1 October 2007
Milford Aggressive Fund	+2.6%	+5.4%	+27.7%	+29.9%	+39.4%
Benchmark	+0.8%	+10.0%	+21.0%	+33.1%	+36.3%
Over / Under Performance Benchmark	+1.8%	(4.6%)	+6.7%	(3.2%)	+3.1%
NZX 50 Gross Index	+1.4%	+2.4%	+21.8%	(18.1%)	(22.7%)

Investment Performance

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



Holdings

Company	Holding	Company	Holding
Fletcher Building	4.7%	Origin Energy	1.5%
Tower	4.2%	Kathmandu	1.5%
Ryman Healthcare	4.2%	Mainfreight	1.4%
Restaurant Brands	4.2%	Santos	1.4%
Air New Zealand	3.8%	Abano	1.4%
Sky TV	2.8%	GPG	1.3%
Telecom	2.7%	AMP	1.2%
Kauri Property Fund Limited	2.0%	PGG Wrightson	1.2%
Salvus	1.8%	Diligent Board Members Services	1.2%
Rakon	1.7%	Nuplex Industries	1.2%
Turners Auctions	1.7%	Delegat's	1.1%
CSL	1.7%	Skellerup	1.1%
Hallenstein Glasson	1.6%	Various other holdings*	13.9%
Auckland International Airport	1.6%	Cash and Bonds	31.9%

*Holdings of 1.0% or less have been combined into 'Various other holdings'.