



# The Milford Aggressive Fund

## Client Update

October 2010

### Portfolio Manager



Brian Gaynor

### Dear Fellow Investors

Sharemarkets performed strongly in September with the NZX50 Gross Index rising 4.7%. Your Aggressive Fund rose by a more modest 2.7% because nearly 50% of the portfolio was invested in bonds and cash.

For the year ended September 30 the Fund was up 7.2% while the NZX50 Gross Index rose just 0.5% and the ASX All Ordinaries Index fell 2.2%.

The Fund is now three years old and its performance over this period was +36.0% (after all fees and before tax) compared with -25.8% and -29.5% for the benchmark NZX and ASX indices respectively.

The objective of the Fund is to achieve a targeted return of 10% per annum, after fees and before tax, over a 5 year period. This has been achieved over the first three years with a total return of 36.0% (after all fees and before tax) or a compound return of 10.8% per annum. This compares with a targeted return of 33.1%, (which is 10% per annum compounded over the 3 year period).

Equity markets should perform better over the next three years albeit there are still some uncertain times ahead as the aftershocks from the Global Financial Crisis continue to be felt.

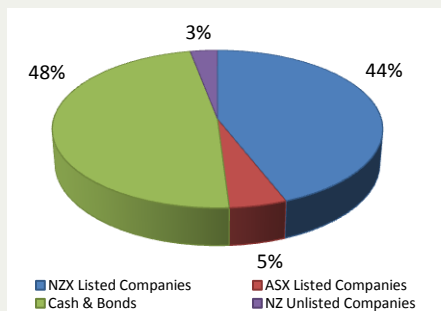
Household debt remains too high, particularly for families with school age children. This will curtail retail spending by this group and have a dampening impact on New Zealand house prices unless migration picks up substantially.

A key development over the next few years will be the aging of the post-World War Two baby boom generation and the impact that this will have on economic activity. This generation, which was born between 1946 and 1964, will have a huge impact on the housing, travel, health, financial services and other business sectors.

Baby boomers are expected to sell their large family homes and move into apartments and retirement villages. They are also expected to travel extensively, although not to the traditional sun-based destinations, and they will have huge demand for health services. There has also been increased demand for financial services, particularly for baby boomers who sell their business or retire with a lump sum payment.

One of our main objectives over the next few years is to invest in companies that will benefit from the greying of western society.

### Portfolio Mix



### Fund Size

\$118 million at 30/09/2010

### 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.

Brian Gaynor

Disclosure of interest: Brian Gaynor and his immediate family have \$286,000 invested in the Fund at the 30 September unit price.

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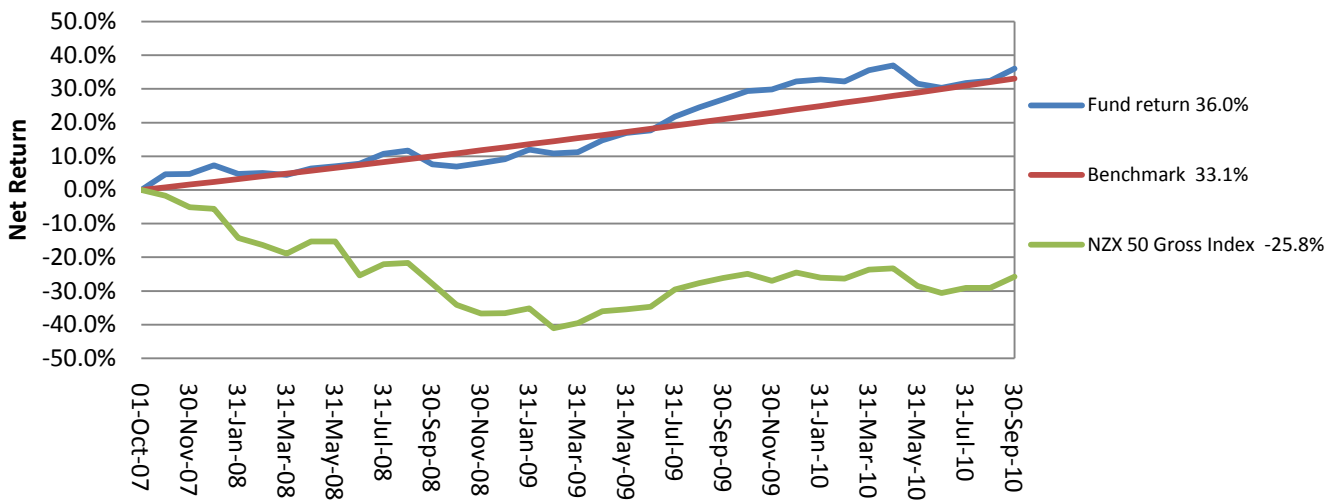
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**Performance to 30 September 2010 (after fees and before tax)**

	Past Month	Past 1 Year	Past 2 Years	Past 3 Years	Since Inception
<b>Milford Aggressive Fund</b>	+2.7%	+7.2%	+26.4%	+36.0%	+36.0%
<b>Benchmark</b>	+0.8%	+10.0%	+21.0%	+33.1%	+33.1%
<b>Over / Under Performance Benchmark</b>	+1.9%	-2.8%	+5.4%	+2.9%	+2.9%
<b>NZX 50 Gross Index</b>	+4.7%	+0.5%	+2.8%	-25.8%	-25.8%

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



**Holdings**

Company	Holding	Company	Holding
Restaurant Brands	4.6%	Pyne Gould Corporation	1.8%
Ryman Healthcare	4.6%	Auckland International Airport	1.6%
Tower	4.0%	Hallenstein Glasson	1.6%
Fletcher Building	3.3%	PGG Wrightson	1.6%
Air New Zealand	3.2%	Turners Auctions	1.5%
Kauri Property Fund Limited	2.4%	Delegat's	1.4%
Salvus	2.2%	Mainfreight	1.4%
Abano	1.9%	Diligent Board Members Services	1.1%
Rakon	1.9%	Various other holdings*	9.9%
CSL	1.8%	Cash and Bonds	48.2%

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