



The Milford Balanced Fund

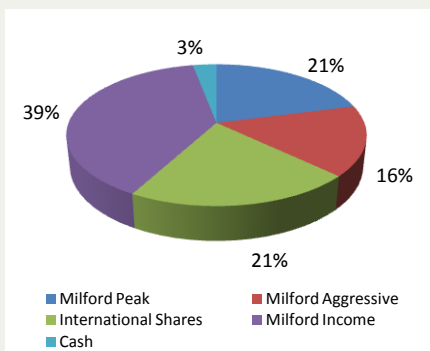
Client Update

April 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$4.6 million at 31/03/2011

Fees

1.05% capped annual fee. To the extent that assets of the Milford Balanced Fund are invested in any other Milford Funds the Balanced Fund will be fully rebated for the management fees charged within those Funds. However, any performance fee charged by Milford in respect of those Funds will remain payable.

Investment Objective

The Fund's target is to achieve capital growth over time by holding a diversified investment portfolio including New Zealand and overseas cash, bonds and shares.

Economic and Market Review

New Zealand economic activity remains subdued with GDP growth in the December quarter of just 0.2%. Growth in the first half of 2011 is likely to remain weak although should recover in the second half of the year as the rebuilding of Christchurch begins and the Rugby World Cup boosts activity. Globally economic growth remains relatively strong with the US economy continuing to recover and China growing strongly.

Share markets were volatile during the month due to the devastating earthquake in Japan and rising oil prices due to instability in the Middle East. Despite these negative factors the NZ share market rose 2.1%, benefiting from the Reserve Bank's decision to reduce the cash rate by 0.5% to 2.5%. Global share markets generally recorded negative returns although recovered much of the sharp falls experienced after the Japanese earthquake. The Australian and Global share markets returned +0.8% and -2.4% in \$NZ terms.

Portfolio Review

The Milford Balanced Fund rose 0.9% during the month benefiting from strong returns from the Milford Peak Fund (+2.4%) and Milford Income Fund (+1.4%). Returns from International share funds were negative for performance.

The Fund remains generally positive on growth investments with 57% invested in growth / share based investments similar to the end of the previous month. The Fund continues to actively manage its currency exposure.

Market Outlook and Investment Strategy

The outlook for share markets remains generally positive in the short-term due to improving global growth, attractive valuations, strong company earnings and low interest rates in most developed economies. The key negative for markets is the prospect of further rises in oil prices and inflation which would limit the ability of central banks to keep interest rates low. The outlook for fixed income investments has become less positive due to relatively low interest rates in New Zealand and offshore.

Given the positive outlook for shares the Fund retains a bias toward growth / share investments over income based investments. However, the Fund continues to monitor oil prices, inflation and central banks interest rate policy closely and a sustained increase in oil prices would lead us to increase the Fund's exposure to more defensive / income based investments. Given the relatively subdued outlook for the NZ economy the Fund is likely to continue to increase its holdings toward international share funds.

Disclosure of interest: Milford staff have \$182,000 invested in the Fund at the 31March unit price.

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www.milfordasset.com

MilfordFundsLimited



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

	Past Month	Past 3 Months	Past 6 months	Inception 1 April 2010
Milford Balanced Fund	0.9%	2.3%	4.8%	5.3%

Market Returns by Investment Sector

Sector	Past month	Inception (12 months)	Index
NZ shares	2.1%	5.3%	NZX50 Gross Index
Australian shares (\$NZ)	0.8%	8.6%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	-2.4%	-3.7%	MSCI World Index in \$NZ
NZ Property	2.5%	8.6%	NZX Property Index
NZ Bonds	0.6%	8.8%	NZX Corporate A Index
NZ Cash	0.2%	2.9%	NZX Cash Index

Investment Holdings

	31 March 2011	Neutral*
Milford Peak Fund	21.0%	20.0%
Milford Aggressive Fund	15.8%	20.0%
International Share Funds	20.5%	20.0%
Total Growth	57.3%	60.0%
Milford Income Fund	39.4%	37.5%
Cash	3.3%	2.5%
Total Income	42.7%	40.0%
Total Fund	100.0%	100.0%

*Indicative sector allocation if Milford believed each sector was fairly valued in terms of expected risk and return

