



The Milford Balanced Fund

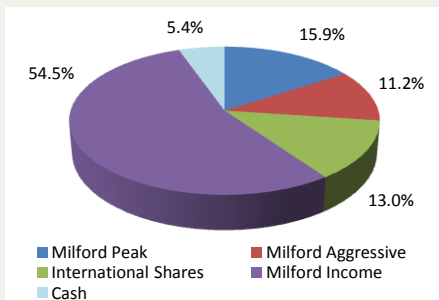
Client Update

August 2010

Portfolio Manager

Milford Investment Committee

Portfolio Mix



Fund Size

\$1.1 million at 31/07/2010

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

Economic data released during the month generally indicated a slowing in the rate economic growth both in NZ and internationally. During the month the RBNZ increased the cash rate by 0.25% to 3.0% as it looked to reduce the level of support for the economy. However, the RBNZ noted growth prospects had softened and the rate of future increases in rates will be more moderate than previously forecast.

Share markets rose during the month, benefiting from a strong company reporting season in the US and an improvement in investor confidence. During the month the NZ share market, Australian share market (in \$NZ) and international share markets (in \$US) rose by 2.1%, 6.1% and 7.6% respectively.

Portfolio Review

The Milford Balanced Fund rose 1.4% (after fees and before tax) during the month boosted by strong returns in the Milford Peak Fund (+4.2%) and Milford Aggressive Fund (+1.1%). International fund investments were negatively impacted by the rise in the value of the \$NZ and fell 1.1%. The Milford Income Fund rose 1.1% due to positive performance of fixed income and income generating share investments.

During the month the Balanced Fund decreased its holdings in growth funds to 40.2% from 43.5% at the end of the previous month. While shares are attractively valued on a medium term basis we held a lower weight than normal, reflecting the uncertain economic and market outlook.

Market Outlook and Investment Strategy

The outlook for economic growth remains highly uncertain as governments and consumers in most developed economies look to reduce debt levels. High government debt levels and low interest rates limit the ability of many developed economies, such as the US, to react to another economic slowdown. This significantly increases the risk for share based investments.

Reflecting the uncertain outlook Milford's investment strategy remains relatively cautious. We continue to prefer NZ and Australian shares given the relatively robust economies, government balance sheets, proximity to growing Asian markets and attractive valuations. We remain positive on income producing investments, which we believe are attractive in a low growth and inflation environment.

Disclosure of interest: Milford staff have \$242,000 invested in the Fund at the 31 July unit price.

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MilfordFundsLimited



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

	Past Month	Since Inception 1 April 2010
Milford Balanced Fund	1.4%	-2.1%

Market Returns by Investment Sector

Sector	Past month	Index
NZ shares	+2.1%	NZX50 Gross Index
Australian shares (\$NZ)	+6.1%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	+1.5%	MSCI World Index in \$NZ
NZ Property	+1.6%	NZX Property Index
NZ Bonds	+0.9%	NZX Corporate A Index
NZ Cash	+0.2%	NZX Cash Index

Investment Holdings

	31 July 2010	Neutral*
Milford Peak Fund	15.9%	20.0%
Milford Aggressive Fund	11.2%	20.0%
International Share Funds	13.0%	20.0%
Total Growth	40.1%	60.0%
Milford Income Fund	54.5%	37.5%
Cash	5.4%	2.5%
Total Income	59.9%	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

