



The Milford Balanced Fund

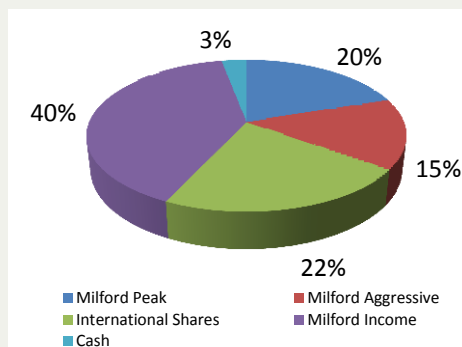
Client Update

March 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$3.6 million at 28/02/2011

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 growth will be materially impacted by the devastating and tragic events of the Christchurch earthquake. Following the earthquake markets and economists now expect the Reserve Bank of New Zealand to reduce interest rates at its next meeting on the 10th of March. Globally economic growth remain relatively strong and continues to be boosted by very low interest rates. Strong global growth continues to be reflected in high prices for NZ's export commodities and in particular dairy products.

Share markets posted strong returns during the month with returns to NZ investors boosted from falls in the value of the \$NZ. NZ, Australian and World share market indices returned 1.0%, 2.3% (7.4% in \$NZ) and 3.3% (6.0% in \$NZ) respectively during the month. Share markets gave up some gains toward the end of the month following unrest in the middle east which led to strong rises in the oil price.

Portfolio Review

The Milford Balanced Fund rose 1.2% during the month (after all fees and before tax). Positive returns were generated on both share and fixed income investments during the month.

The Fund remains generally positive on growth investments with 59% of the Fund invested in growth / share based investments. This is similar to the end of the previous month. Given currency volatility the Fund continues to actively manage its currency exposure and following sharp falls in the value of the \$NZ increased the level of currency hedging.

Market Outlook and Investment Strategy

Global economic growth should continue to improve given strong growth in emerging markets and very low rates in the US and other developed economies. However, many economies remain fragile given high levels of debt and unemployment. Rising oil prices also pose a threat to the economic recovery as it reduces consumers' spending power and may lead to inflationary pressures. Higher inflation would be a negative as it may force central banks to lift interest rates which have to date provided a positive boost for the economy.

Given the improving economic background and relatively attractive valuations the Fund's strategy is to retain a bias toward growth / share investments rather than income based investments. However, given economic uncertainties we continue to monitor global economic events closely. A sustained increase in oil prices would lead us to increase the Fund's exposure to more defensive fixed income based investments.

Disclosure of interest: Milford staff have \$182,000 invested in the Fund at the 28 February unit price.



Performance to 28 February 2011 (after fees and before tax)

	Past Month	Past 3 Months	Past 6 months	Inception 1 April 2010
Milford Balanced Fund	+1.2%	+3.6%	+6.1%	+4.3%

Market Returns by Investment Sector

Sector	Past month	Inception (11 months)	Index
NZ shares	+1.0%	+3.1%	NZX50 Gross Index
Australian shares (\$NZ)	+7.4%	+7.8%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	+6.0%	+6.3%	MSCI World Index in \$NZ
NZ Property	-0.5%	+6.0%	NZX Property Index
NZ Bonds	+1.4%	+8.0%	NZX Corporate A Index
NZ Cash	+0.2%	+2.6%	NZX Cash Index

Investment Holdings

	28 February 2011	Neutral*
Milford Peak Fund	19.9%	20.0%
Milford Aggressive Fund	15.8%	20.0%
International Share Funds	23.3%	20.0%
Total Growth	59.0%	60.0%
Milford Income Fund	38.6%	37.5%
Cash	2.4%	2.5%
Total Income	41.0%	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

