



The Milford Balanced Fund

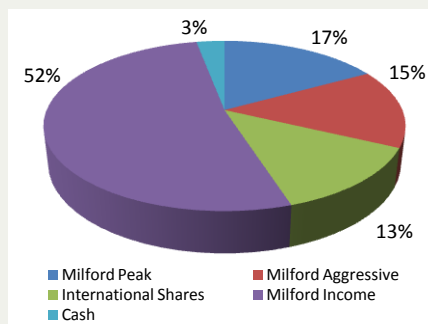
Client Update

November 2010

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$1.8 million at 31/10/2010

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

New Zealand economic data released during October showed that economic activity remained subdued. New Zealand consumers remain cautious with a preference to repay debt rather than spend. Reflecting the low rate of growth the RBNZ left the official cash rate at 3.0% although it stated that rates will probably need to rise in the future.

Global economic data has generally improved although unemployment remains high in many countries. Sharemarkets generated good gains and were boosted by news the US central banks may look to stimulate growth via purchasing bonds and increasing the supply of money (QE2). The NZ, Australian and World share markets indices were up 4.0%, 1.8% (-0.8% in \$NZ) and 3.6% (-0.7% in \$NZ) respectively. Returns in \$NZ were negatively impacted by the rise in the value of the \$NZ. Fixed Income markets produced small negative returns during the month.

Portfolio Review

The Milford Balance Fund's unit price rose 1.2% during October with positive returns from the Milford Income Fund (1.2%), Milford Aggressive (+1.1%), Milford Peak Fund (+1.8%). The Fund's emerging market share investment performed strongly rising (+6.1%). The Fund also benefited from its decisions to hedge the \$US which protected it from the 4.4% rise in the value of the \$NZ versus the \$US during the month. The Fund has an active approach to currency management and will look to remove this hedge if the value of the \$NZ rises too far too fast. At the end of the month the fund had just over 44.3% in growth based investments and 55.7% in income based investments.

Market Outlook and Investment Strategy

The outlook for economic growth in developed markets has improved although is likely to remain subdued due to have high levels of unemployment and government debt. The US central bank has attempted to stimulate demand through further large scale bond purchases (QE2). The effectiveness of this remains uncertain, however, and is likely to lead to a continued weak \$US and remain supportive of commodity prices and shares generally. Growth in developing markets remains high and is creating strong demand for New Zealand and Australian exports. Given this background the Fund's share investments are biased toward New Zealand, Australia and emerging markets. Whilst the growth outlook has improved it remains fragile and markets are likely to remain volatile as investor appetite for risk fluctuates. Given the uncertain economic environment the Fund retains a balance between growth and income investments and will adapt to changing market conditions and opportunities.

Disclosure of interest: Milford staff have \$177,000 invested in the Fund at the 31 October unit price.

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www.milfordasset.com

MilfordFundsLimited



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

	Past Month	Past 3 Months	Past 6 months	Inception 1 April 2010
Milford Balanced Fund	1.2%	3.8%	2.1%	1.7%

Market Returns by Investment Sector

Sector	Past month	Past 7 months	Index
NZ shares	4.0%	1.1%	NZX50 Gross Index
Australian shares (\$NZ)	-0.8%	-2.8%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	-0.7%	-5.7%	MSCI World Index in \$NZ
NZ Property	4.8%	8.0%	NZX Property Index
NZ Bonds	-0.2%	5.0%	NZX Corporate A Index
NZ Cash	0.2%	1.6%	NZX Cash Index

Investment Holdings

	31 October 2010	Neutral*
Milford Peak Fund	16.9%	20.0%
Milford Aggressive Fund	14.7%	20.0%
International Share Funds	12.7%	20.0%
Total Growth	44.3%	60.0%
Milford Income Fund	52.6%	37.5%
Cash	3.1%	2.5%
Total Income	55.7%	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

