



The Milford Balanced Fund

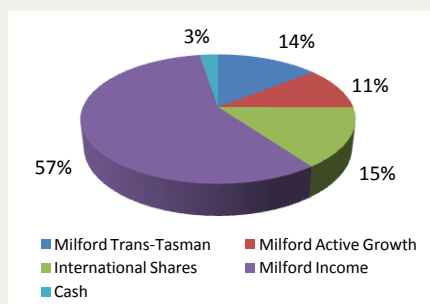
Fund Update

December 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$12.5 million at 30/11/2011

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 data during the month was generally mixed with positive impacts from the Rugby World Cup being offset by falls in confidence due to negative global headlines. Global economic data was also mixed with US data improving and pointing to a rebound in growth whilst data in Europe and China continued to weaken.

Share markets fell during November reversing some of the gains in October. Markets continue to be negatively impacted by concerns over European Government debt. Markets recovered some losses toward the end of the month but ended down with the New Zealand and Australian share market indices down 1.9% and 2.6% (in NZ\$) respectively. Returns to NZ investors were boosted by a fall in the value of the New Zealand dollar against both the Australian and US currencies. The NZ Fixed Income index and Property indices benefited from investors preference for yield rising 1.1% and 1.5% respectively.

Portfolio Review

The Milford Balanced Fund fell 0.9% during November (after fees and before tax). The Fund was negatively impacted by falls in share market indices during the month. The Fund's exposure to growth investments was reduced to 40% from 44% at the end of the previous month with most of the reduction coming from International share funds. The allocation to growth funds remains below the 60% target that the Fund would adopt in more normal market conditions reflecting the uncertain economic and market environment. The allocation to the Milford Income Fund was increased to 57.4%. We believe that the mix of investments in the Milford Income Fund is attractive in the current environment with a combination of steady fixed income investments and some higher yielding shares which are less impacted by the economic environment.

Market Outlook and Investment Strategy

The outlook for markets remains uncertain due to concerns over the level of government debt in both US and Europe, the actions of policy makers to resolve these issues and slowing growth in China. In Europe policy makers currently favour sharp cuts in government spending which is likely to push Europe into recession next year. Offsetting these factors the valuations of many companies are attractive, particularly relative to very low interest rates. In the short-term markets are likely to remain volatile and driven by the moves of policy makers to resolve the current economic issues.

The investment strategy of the Fund remains defensive and biased toward income rather than growth investments. However, the Fund remains active and will increase the exposure to shares if the economic and market conditions improve.

Disclosure of interest: Milford staff have \$232,000 invested in the Fund at the 30 November 2011 unit price.

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www.milfordasset.com

MilfordFundsLimited



Performance to 30 November 2011 (after fees and before tax)

	1 Month	6 Months	1 Year	Since Inception 1 April 2010 (p.a)
Milford Balanced Fund	(0.9%)	(1.5%)	+3.4%	+4.1%

Market Returns by Investment Sector

Sector	1 month	Past 1 Year	Index
NZ shares	(1.9%)	+0.2%	NZX50 Gross Index
Australian shares (\$NZ)	(2.6%)	(4.1%)	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	+0.6%	(6.2%)	MSCI World Index in \$NZ
NZ Property	+1.5%	+12.1%	NZX Property Index
NZ Bonds	+1.1%	+9.1%	NZX Corporate A Index
NZ Cash	+0.2%	+2.7%	NZX Cash Index

Investment Holdings

	30 November 2011	Neutral*
Milford Trans-Tasman Fund	14.3%	15.0%
Milford Active Growth Fund	10.8%	15.0%
International Share Funds	14.9%	30.0%
Total Growth	40.0%	60.0%
Milford Income Fund	57.4%	37.5%
Cash	2.6%	2.5%
Total Income	60.0%	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

