



# The Milford Balanced Fund

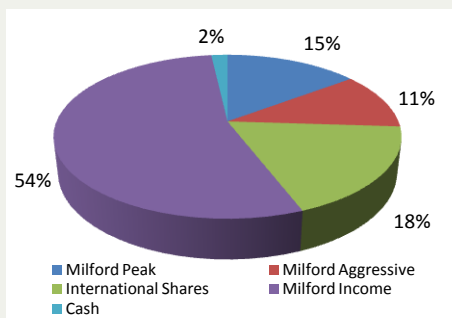
## Fund Update

November 2011

### Portfolio Manager

Milford's Investment Committee

### Portfolio Mix



### Fund Size

\$12.5 million at 31/10/2011

### 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 released during October generally pointed to a slowdown in growth. In particular NZ business confidence fell sharply and was probably impacted by negative global headlines. Global economic data was generally weak although in the case of the US better than most economists expected. The Reserve Bank of New Zealand left the official cash rate unchanged at 2.5% during the month citing the risk that the European sovereign debt crises could cause global economic growth to slow.

Following large declines in September global share markets rebounded sharply toward the end of October with the MSCI World index up 8.6% in local currency terms and 4.1% in \$NZ. Markets benefited from steps taken by European government officials to resolve the sovereign debt crises and recapitalise the banks. The New Zealand share market (NZX 50 Gross Index) fell 0.3% and was negatively impacted by a profit warning from Fletcher Building. The NZ fixed income index rose by 0.1% whilst the NZ property index fell 0.7%.

### Portfolio Review

The Milford Balanced Fund rose 2.7% during November (after fees and before tax). The Fund benefited from strong performance of Milford's Funds and in particular the Trans Tasman Fund which was up 5.3% for the month. The Fund increased its holding to international shares during the month to 18.1%. This increased the total holding in growth investments to 44.2% up from 41.0% at the end of September. However, this remains below the 60% target the Fund would adopt in more normal market conditions. Within growth funds we maintained a bias to New Zealand and Australia which relative to the rest of the world, have robust financial positions and the ability to reduce rates if economic conditions deteriorate.

### Market Outlook and Investment Strategy

The outlook for markets remains uncertain due to concerns over European and US government debt and slowing global growth. Offsetting this, the valuations for shares are attractive and reflect a sharp fall in expectations for economic and company earnings growth. In the short-term we expect markets to remain volatile and market direction to remain dictated by the success or otherwise of policy makers to resolve government debt issues and boost global growth.

The investment strategy of the Fund remains defensive and biased toward income rather than growth investments. However, the Fund may look to increase the weight to shares if we become more comfortable that global growth will stabilise.

*Disclosure of interest: Milford staff have \$233,000 invested in the Fund at the 31 October 2011 unit price.*



## Performance to 31 October 2011 (after fees and before tax)

	1 Month	6 Months	1 Year	Since Inception 1 April 2010
Milford Balanced Fund	+2.9%	(1.3%)	+3.3%	+5.0%

## Market Returns by Investment Sector

Sector	1 month	Past 1 Year	Index
NZ shares	(0.3%)	+1.3%	NZX50 Gross Index
Australian shares (\$NZ)	+10.4%	(3.5%)	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	+4.1%	(6.8%)	MSCI World Index in \$NZ
NZ Property	(0.7%)	+8.9%	NZX Property Index
NZ Bonds	+0.1%	+7.9%	NZX Corporate A Index
NZ Cash	+0.2%	+2.7%	NZX Cash Index

## Investment Holdings

	31 October 2011	Neutral*
Milford Trans-Tasman Fund	14.9%	15.0%
Milford Active Growth Fund	11.2%	15.0%
International Share Funds	18.1%	30.0%
<b>Total Growth</b>	<b>44.2%</b>	<b>60.0%</b>
Milford Income Fund	54.3%	37.5%
Cash	1.5%	2.5%
<b>Total Income</b>	<b>55.8%</b>	<b>40.0%</b>
<b>Total Fund</b>	<b>100.0%</b>	<b>100.0%</b>

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

