



# The Milford Aggressive KiwiSaver Fund Client Update

November 2010

## Portfolio Manager



Brian Gaynor

## Dear Fellow Investors

October was a strange month as the New Zealand and Australian sharemarkets were almost totally uncorrelated. The two markets seemed to go in the opposite direction on a daily basis.

For the month as a whole the NZX50 Gross Index rose by 4.0%, the ASX Accumulation Index (in NZ dollar terms) fell by 0.8% while your Aggressive Fund climbed by 1.1%.

The main contributors to the Aggressive Fund's performance in October were Restaurant Brands, which contributed 0.43%, Air New Zealand 0.20% and Ryman Healthcare 0.19%.

The negative contributors were Turners Auctions with minus 0.07% while PGG Wrightson and Kathmandu contributed minus 0.05% each.

There were no significant changes to the portfolio during the month although we disclosed to the Stock Exchange on October 29 that your Aggressive Fund had a 6.4% shareholding in Turners Auctions. The stock looks attractive at present as it has a December 2010 year P/E of 12, a dividend yield of 9.0%, no debt, cash of \$15m and good medium-term growth prospects.

One of the more positive features of the new PIE (Portfolio Investment Entity) regime, including the Aggressive Fund, is their ability to utilise imputation credits and the absence of a capital gains tax on New Zealand investments.

In addition the PIE tax rates were reduced from 1 October 2010 as illustrated by the following table.

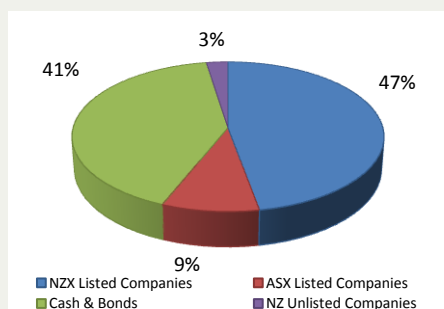
### Post-tax returns – Since inception on 1 October 2007\*

PIE Tax Rates		Aggressive Fund Return
Before 30/9/10	After 30/9/10	
Pre-tax	Pre-tax	<b>+37.5%</b>
12.5% tax rate	10.5% tax rate	<b>+36.1%</b>
21.0% tax rate	17.5% tax rate	<b>+35.9%</b>
30.0% tax rate	28.0% tax rate	<b>+33.3%</b>

\* This is indicative only and may vary for each individual investor.

Your Aggressive Fund, which has been able to take advantage of these tax efficiencies, has had an estimated after-tax, after-fees return for the top paying income tax band of 33.3% for the 37 months ended 31 October 2010. The benchmark NZX50 Gross Index declined by 22.8% over the same period.

## Portfolio Mix



## Fund Size

\$13.9 million at 31/10/2010

## Fees

1.05% capped annual fee plus a Performance Fee equal to 15% of returns above 10% (after fees & before tax). There is also a \$36 p.a. member administration fee.

## Investment Objective

The Fund invests in Australasian securities and has a targeted return of 10% (after fees & before tax) p.a. over a minimum 5 year horizon.

Brian Gaynor

Disclosure of interest; Milford staff have \$180,000 invested in the KiwiSaver Fund at the 31 October unit price.

Level 9, Shortland Chambers, 70 Shortland Street  
PO Box 960, Shortland Street, Auckland  
Telephone 09 921 4700 Facsimile 09 921 4709

Level 16, 157 Lambton Quay  
PO Box 5191, Wellington  
Telephone 04 915 9333 Facsimile 09 921 4709

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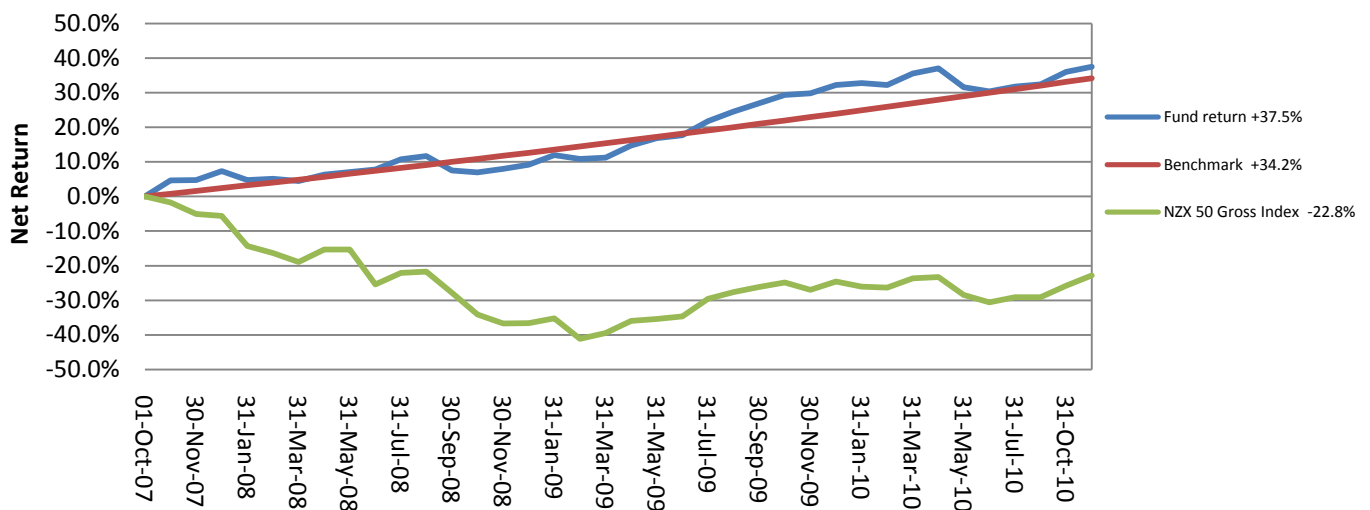
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Performance to 31 October 2010 (after fees and before tax)

	Past Month	Past 1 Year	Past 2 Years	Past 3 Years	Since Inception
<b>Milford Aggressive Fund</b>	+1.1%	+6.3%	+28.6%	+31.4%	+37.5%
<b>Benchmark</b>	+0.8%	+10.0%	+21.0%	+33.1%	+34.2%
<b>Over / Under Performance Benchmark</b>	+0.3%	-3.7%	+7.6%	-1.7%	+3.3%
<b>NZX 50 Gross Index</b>	+4.0%	+2.8%	+17.2%	-21.5%	-22.8%

Investment Performance (returns are since inception, before tax and after fees)



Holdings

Company	Holding	Company	Holding
Restaurant Brands	4.8%	Auckland International Airport	1.7%
Ryman Healthcare	4.5%	CSL	1.7%
Tower	4.1%	Kathmandu	1.6%
Air New Zealand	3.5%	Mainfreight	1.5%
Fletcher Building	3.3%	Telecom	1.5%
Kauri Property Fund Limited	2.3%	PGG Wrightson	1.5%
Salvus	2.1%	Delegat's	1.4%
Hallenstein Glasson	2.0%	Diligent Board Members Services	1.2%
Rakon	1.9%	Origin Energy	1.1%
Turners Auctions	1.9%	Various other holdings*	11.9%
Pyne Gould Corporation	1.8%	Cash and Bonds	40.9%
Abano	1.8%		

\*Holdings of 1.0% or less have been combined into 'Various other holdings'.

