



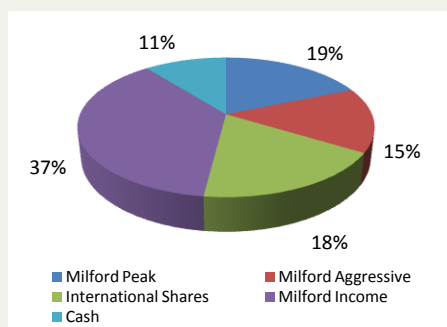
The Milford Balanced KiwiSaver Fund Client Update

February 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$1 million at 31/01/2011

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

Economic growth in the New Zealand economy remains subdued with retail spending in particular a weak spot. Consumers and business continue to repay debt and increase savings rather than spend. Growth in the Australian economy also appears to be moderating following increases in interest rates. However, global economic growth continues to recover with the US economy gaining some momentum. Improving global demand has seen strong rises in the prices of many of NZ's export commodities.

Sharemarkets generated positive returns in January as investors focused upon an improving global economic backdrop and less upon sovereign debt risks in Europe. The NZ, Australian and world share market indices returned 0.9%, 0.2% (-1.4% in \$NZ), and +2.5% (+3.5% in \$NZ) respectively.

Portfolio Review

The Milford Balanced Fund rose 0.1% during the month (after all fees and before tax). Positive returns from global share investments were offset by negative returns on the Milford Peak and Milford Income Funds.

The Fund remains positive on growth investments due to the improving economic outlook, attractive valuations, low interest rates and a slowly improving appetite for risk from investors. The holding in growth investments at the end of the month was reduced by a relatively large cash contribution which was subsequently reinvested to take the growth percentage back toward 58%. The Fund continued to actively manage the currency exposure and reduced its hedging following a sharp rise in the value of the \$NZ.

Market Outlook and Investment Strategy

Global economic growth should continue to improve given strong growth in emerging markets, very low rates in the US and an improvement in economic confidence in general. However, many developed economies remain fragile given high levels of government debt, consumer debt and unemployment. In New Zealand growth remains subdued but should be supported by the Rugby World Cup.

Given the improving economic background the Fund's strategy is to retain a bias toward growth / share investments. This is likely to be increased following positive economic momentum in the US – the world's largest economy. However, given the delicate economic environment the Fund remains active and ready to adapt to changing economic and market conditions.

Disclosure of interest: Milford staff have \$55,900 invested in the Balanced KiwiSaver Fund at the 31 January unit price.

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www.milfordasset.com

Milford Funds Limited



Performance to 31 January 2011 (after fees and before tax)

	Past Month	Past 3 Months	Past 6 Months	Inception 1 April 2010
Milford Balanced Fund	+0.1%	+1.4%	+5.2%	+3.1%

Market Returns by Investment Sector

Sector	Past month	Inception (10 months)	Index
NZ shares	+0.9%	+2.2%	NZX50 Gross Index
Australian shares (\$NZ)	-1.4%	+0.4%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	+3.5%	+0.3%	MSCI World Index in \$NZ
NZ Property	+0.3%	+6.5%	NZX Property Index
NZ Bonds	+0.6%	+6.5%	NZX Corporate A Index
NZ Cash	+0.2%	+2.4%	NZX Cash Index

Investment Holdings

	31 January 2011	Neutral*
Milford Peak Fund	18.7%	20.0%
Milford Aggressive Fund	15.0%	20.0%
International Share Funds	18.3%	20.0%
Total Growth	52.0%	60.0%
Milford Income Fund	37.3%	37.5%
Cash	10.7%	2.5%
Total Income	48.0%	40.0%
Total Fund	100.0%	100.0%

*Indicative sector allocation if Milford believed each sector was fairly valued

