



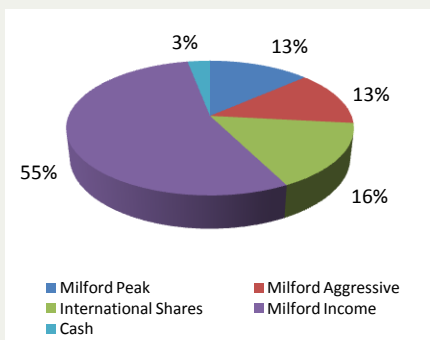
The Milford Balanced KiwiSaver Fund Client Update

July 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$1.8 million at 30/06/2011

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 continued its gradual improvement over the month with a rise in consumer and business confidence and retail sales. In contrast economic data in many large economies including Australia, the United States and China generally pointed to a slowdown in the rate of economic growth.

Global share markets indices fell during the month in response to weak global economic data and uncertainty surrounding the Greek government debt position. A positive vote from the Greek government to reduce spending and sell assets helped markets recover some of their losses toward the end of the month. The New Zealand, global and Australian share market indices (in \$NZ) fell 2.8%, 2.0% and 2.3% respectively during June. NZ Property (+1.0%) and NZ Bonds (+0.8%) benefited from investors' seeking yield.

Portfolio Review

The Milford Balanced Fund fell 0.8% (after fees but before tax) in June and is up 8.6% over the last year. The Fund benefited from positive performance from the Milford Income Fund (+0.6%) but was negatively impacted by falls in share based funds.

Reflecting a continued uncertain economic environment the Balanced Fund reduced its holdings in growth / share investments from 46% at the end of the previous month to a low of 40% during the month before increasing to 43% at month end. Reflecting, the relatively positive prospects for the New Zealand economy and \$NZ the Fund hedged its currency exposure to protect against rises in the \$NZ.

Market Outlook and Investment Strategy

The short-term outlook for global share markets has deteriorated due to a slowdown in economic growth, rising inflation and a greater investor focus upon government debt levels. However, this is currently reflected in the valuations of many markets which remain attractive, particularly relative to low yields on fixed income investments. Reflecting the uncertain short-term environment our investment strategy is to retain a bias toward income rather than growth / share based investments. However, the weight to share investments remains actively managed and will be increased as conditions improve. Key catalysts to increase the share weighting will be good company earnings, improved economic data and / or increased investor confidence. Reflecting positive economic momentum the Fund has a bias towards New Zealand based investments.

Disclosure of interest: Milford staff have \$74,000 invested in the Balanced KiwiSaver Fund at the 30 June 2011 unit price.

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www.milfordasset.com

Milford Funds Limited



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

	1 Month	6 Months	1 Year	Since Inception 1 April 2010
Milford Balanced Fund	(0.8%)	+1.8%	+8.6%	+4.9%

Market Returns by Investment Sector

Sector	1 month	Past 1 Year	Index
NZ shares	-2.8%	+16.0%	NZX50 Gross Index
Australian shares (\$NZ)	-2.0%	+17.7%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	-2.3%	+4.9%	MSCI World Index in \$NZ
NZ Property	+1.0%	+22.1%	NZX Property Index
NZ Bonds	+0.8%	+8.3%	NZX Corporate A Index
NZ Cash	+0.2%	+2.9%	NZX Cash Index

Investment Holdings

	30 June 2011	Neutral*
Milford Peak Fund	13.5%	15.0%
Milford Aggressive Fund	13.2%	15.0%
International Share Funds	15.8%	30.0%
Total Growth	42.5%	60.0%
Milford Income Fund	54.5%	37.5%
Cash	3.0%	2.5%
Total Income	57.5%	40.0%
Total Fund	100.0%	100.0%

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

