



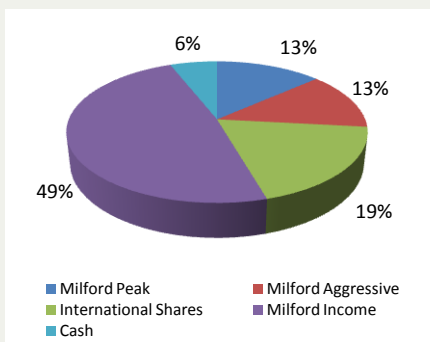
The Milford Balanced KiwiSaver Fund Client Update

June 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$1.7 million at 31/05/2011

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 to improve over the month with strong business confidence, good employment data and some stabilisation in housing activity. In contrast global economic data was less positive with signs of slowing economic momentum in Australia, China and the United States.

The relative outperformance of the New Zealand economy and a budget which pleased rating agencies led to strong performance of the \$NZ which rose 4.6% against the Australian dollar and 1.7% against the \$US. The New Zealand share market also outperformed returning +0.8% compared to -2.0% (-6.2% \$NZ terms) for Australia and -2.2% (-3.8% in \$NZ terms) for the Global share markets. The New Zealand Property Index rose a strong 3.9% reflecting investors' desire for yield compared to very low interest rates.

Portfolio Review

The Milford Balanced Fund fell 0.8% (after fees but before tax) in May and is up 8.6% over the last year. The Fund benefited from positive performance from the Milford Income Fund (+1.3%) and the Milford Aggressive Fund (+0.2%). The Fund was negatively impacted by the performance of the Milford Peak (-1.0%) and International Share Funds which were both impacted by the sharp rise in the value of the New Zealand dollar.

Reflecting the economic slowdown the Fund significantly reduced its holding in growth / share investments from 54.1% to 45.5% at the end of the month.

Market Outlook and Investment Strategy

The short-term outlook for global share markets has become less positive due to slowing global growth, rising inflation and high levels of government debt in some countries. The short-term outlook is also negatively impacted by the aftermath of the Japanese earthquake and debt concerns in some peripheral European countries. However, the medium-term outlook remains generally positive given attractive valuations, strong growth in emerging markets and low interest rates in many economies. Additionally, the outlook for New Zealand has generally improved with strong demand and prices for exports and improving business confidence. Reflecting the uncertain short-term environment our strategy is to retain a bias towards steady income based investments rather than growth / share based investments. However, the weight to share investments remains actively managed and we will look to increase if the market outlook improves or markets and valuations fall. Given relative economic and market momentum the Fund has a bias towards the New Zealand market.

Disclosure of interest: Milford staff have \$85,000 invested in the Balanced KiwiSaver Fund at the 31 May 2011 unit price.

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www.milfordasset.com

Milford Funds Limited



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

	1 Month	6 Months	1 Year	Inception 1 April 2010
Milford Balanced Fund	(0.8%)	+4.9%	+8.6%	+6.5%

Market Returns by Investment Sector

Sector	1 month	Past 1 Year	Index
NZ shares	+0.8%	+15.9%	NZX50 Gross Index
Australian shares (\$NZ)	-6.2%	+15.5%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	-3.8%	+3.6%	MSCI World Index in \$NZ
NZ Property	+3.9%	+22.3%	NZX Property Index
NZ Bonds	+0.7%	+8.8%	NZX Corporate A Index
NZ Cash	+0.2%	+2.9%	NZX Cash Index

Investment Holdings

	31 May 2011	Neutral*
Milford Peak Fund	13.5%	15.0%
Milford Aggressive Fund	13.2%	15.0%
International Share Funds	18.8%	30.0%
Total Growth	45.5%	60.0%
Milford Income Fund	48.5%	37.5%
Cash	6.0%	2.5%
Total Income	55.5%	40.0%
Total Fund	100.0%	100.0%

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

