



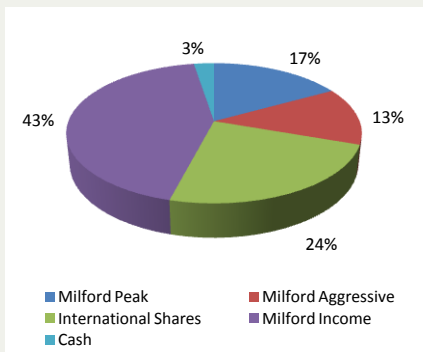
# The Milford Balanced KiwiSaver Fund Client Update

May 2011

## Portfolio Manager

Milford's Investment Committee

## Portfolio Mix



## Fund Size

\$1.5 million at 30/04/2011

## 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 showed some improvement during the month, albeit from relatively low levels. The National Bank business outlook survey showed confidence rebounded from the lows experienced following the Christchurch earthquake. Confidence has benefited from the reduction in the official cash rate and strong demand for our exports. Global economic growth continues to remain robust with strong growth in emerging economies and growth recovering in developed economies.

Most world share markets in general generated good returns during the month with shares boosted by positive earnings reports from US companies. However, the Australian share market fell 0.4% during the month largely in response to the sharp 6.2% rise in the value of the \$A. A high \$A reduces the offshore earnings of many large Australian companies. The sharp rise in the value of the \$NZ negatively impacted the performance of international shares, which when measured in \$NZ terms fell 2.4%.

## Portfolio Review

The Milford Balanced Fund rose 1.1% (after fees and before tax) during April benefiting from strong returns from the Milford Peak (+2.4%), Milford Aggressive (+1.8%) and Milford Income Fund (+1.2%). Returns on international share fund investments were negatively impacted by the rise in the value of the \$NZ.

During the month the Fund reduced its exposure to growth / share investments from 57% to 54% with the reduction coming from the Australasian share based Peak and Aggressive Funds. This reflected the strong performance of the New Zealand market and the potential for earnings disappointments. The international shares weighting was increased reflecting the better prospects for company earnings.

## Market Outlook and Investment Strategy

The share market outlook remains supported by improved global growth, attractive valuations, strong company earnings and relatively low interest rates. Offsetting this is the prospect of rising inflation due to high commodity prices (including oil). Rising inflation pressures led central banks in Europe and China to increase interest rates during the month and may lead other central banks to do the same. On balance we believe shares will generate moderate returns but are likely to be volatile in the short-term. Against this background the Fund's current strategy is to retain a roughly even balance between growth and income investments.

*Disclosure of interest: Milford staff have \$68,000 invested in the Balanced KiwiSaver Fund at the 30 April 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

Disclaimer: This Milford Fund Update has been prepared by Milford Funds Limited. It is based on information believed to be accurate and reliable although no guarantee can be given that this is the case. Clients of Milford Funds Limited may have an interest or holding in companies and securities mentioned in this report. No reproduction of any material either in part or in full is permitted without prior permission. For more information about the Fund please refer to the Milford KiwiSaver Plan Investment Statement.

[www.milfordasset.com](http://www.milfordasset.com)

Milford Funds Limited



## Performance to 30 April 2011 (after fees and before tax)

	1 Month	3 Months	1 Year	Inception 1 April 2010
<b>Milford Balanced Fund</b>	+1.1%	+3.3%	+6.9%	+6.5%

## Market Returns by Investment Sector

Sector	1 month	Past 1 Year	Index
NZ shares	+2.3%	+7.1%	NZX50 Gross Index
Australian shares (\$NZ)	-0.4%	+11.4%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	-2.4%	+3.6%	MSCI World Index in \$NZ
NZ Property	+2.5%	+9.7%	NZX Property Index
NZ Bonds	+0.4%	+8.8%	NZX Corporate A Index
NZ Cash	+0.2%	+2.9%	NZX Cash Index

## Investment Holdings

	31 March 2011	Neutral*
Milford Peak Fund	17.0%	15.0%
Milford Aggressive Fund	13.3%	15.0%
International Share Funds	23.8%	30.0%
<b>Total Growth</b>	<b>54.1%</b>	<b>60.0%</b>
Milford Income Fund	43.3%	37.5%
Cash	2.6%	2.5%
<b>Total Income</b>	<b>45.9%</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

