



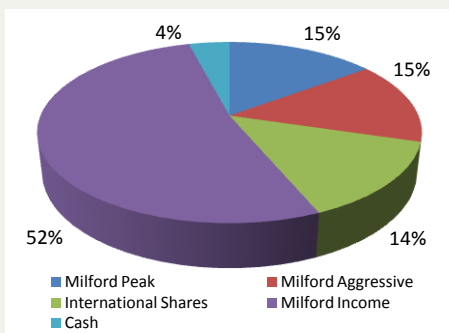
The Milford Balanced KiwiSaver Fund Client Update

October 2010

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$0.4 million at 30/09/2010

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 growth remains subdued with growth of just 0.2% recorded in the quarter ending 30 June 2010. NZ consumers and businesses remain cautious resulting in lower levels of spending and investment. Reflecting these conditions the Reserve Bank of New Zealand left the cash rate unchanged during the month and reduced its forecasts for growth and the speed at which rate rises be needed in the future.

Global economic data also remains subdued but has in many cases been less bad than expected. Share markets have taken this stabilisation positively and improved confidences led to strong gains for markets with the NZ, Australian and World share market indices up 4.7%, 4.5% (8.1% in NZ\$) and 3.9% (3.9% in NZ\$) respectively. Fixed Income markets also generated positive returns with the NZ Bond index up 0.4%.

Portfolio Review

The Milford Balanced Fund rose 2.1% (after fees and before tax) during the month with positive returns from the Milford Income Fund (+1.2%), Milford Aggressive (+2.7%), Milford Peak Fund (5.4%) and international share funds (+4.4%).

During the month the Fund increased its holding to share based funds to 43.6% from 37.6% at the end of the previous month. During the month the Fund also looked to hedge its exposure to the \$US. We believe that prospects for the \$US remain poor given relatively low interest rates and the weak state of the US economy. The Fund also introduced a small exposure to an emerging market share fund reflecting our view that emerging markets offer attractive growth at reasonable valuations.

Market Outlook and Investment Strategy

Whilst growth has stabilised the outlook for share markets remains highly uncertain. Developed economies continue to face headwinds as governments and consumers look to reduce debt. Low interest rates limit the ability of many developed economies to react to a further slowdown in growth. Whilst central banks have stated that they will use other methods to boost growth their effectiveness remains uncertain. The positive is that growth in emerging markets remains strong with New Zealand and Australia being beneficiaries due to increasing demand and prices for our export commodities. Another positive for shares is that many companies are attractively valued, particularly compared to very low interest rates.

Reflecting the uncertain economic environment the Fund remains cautious and has concentrated share based investments in NZ and Australia and in funds that can react quickly to any change in the economic and market environment.

Disclosure of interest; Milford staff have \$48,000 invested in the Balanced KiwiSaver Fund at the 30 September 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

Milford Funds Limited



October 2010 Milford Balanced KiwiSaver Fund Client Update

Performance to 30 September 2010 (after fees and before tax)

	Past Month	Past 3 Months	Past 6 Months	Inception 1 April 2010
Milford Balanced Fund	+2.1%	+4.0%	+0.5%	+0.5%

Market Returns by Investment Sector

Sector	Past month	Past 6 months	Index
NZ shares	+4.7%	-2.6%	NZX50 Gross Index
Australian shares (\$NZ)	+8.1%	-2.0%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	+3.9%	-5.0%	MSCI World Index in \$NZ
NZ Property	+4.0%	+3.1%	NZX Property Index
NZ Bonds	+0.4%	+5.4%	NZX Corporate A Index
NZ Cash	+0.2%	+1.4%	NZX Cash Index

Investment Holdings

	30 September 2010	Neutral*
Milford Peak Fund	14.9%	20.0%
Milford Aggressive Fund	14.7%	20.0%
International Share Funds	14.0%	20.0%
Total Growth	43.6%	60.0%
Milford Income Fund	52.3%	37.5%
Cash	4.1%	2.5%
Total Income	56.4%	40.0%
Total Fund	100.0%	100.0%

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

