



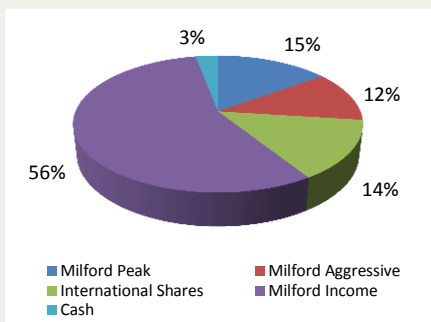
The Milford Balanced KiwiSaver Fund Client Update

October 2011

Portfolio Manager

Milford's Investment Committee

Portfolio Mix



Fund Size

\$2.6 million at 30/09/2011

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

NZ economic data released during the month was mixed. Growth for the second quarter of 2011 disappointed at 0.1%. However, business confidence and building consent data were more positive. In contrast global economic data and sentiment continued to deteriorate in response to Government debt concerns in Europe and the US. The RBNZ left rates on hold at 2.5% during the month citing concerns over the global economic outlook.

Markets remained volatile over the month with most global share markets falling sharply: US S&P500 down 7.2%, German DAX down 4.9% and Australian ASX200 down 6.1%. In contrast the NZ share market's NZX50 rose 0.6% benefiting from more positive economic conditions. The NZ dollar fell 10.8% during the month as speculators reduced their positions and NZ's credit rating was cut. The fall in the \$NZ helped boost global share market returns in \$NZ terms. NZ fixed income and property performed well, up 1.1% and 1.9% as investors continued to look for yield.

Portfolio Review

The Milford Balanced Fund rose 0.1% during the September (after fees but before tax). Reflecting the uncertain economic outlook the Balanced Fund continues to remain underweight in growth / share based funds which ended the month at 41.0%. This is below the 60% target the Fund would adopt in more normal market conditions. Within growth funds we maintained a bias to New Zealand and Australia both of which, relative to the rest of the world, have robust financial positions and room to reduce interest rates if economic conditions deteriorate.

Market Outlook and Investment Strategy

The short-term outlook for markets remains uncertain as investors continue to worry about European government debt and slowing global growth. Markets are likely to remain volatile as investors await moves by European governments to resolve their debt problems and avoid further contagion from Greece. The major problem is that Europe is made up of many Governments with different political agendas making agreement difficult. The good news is that following sharp falls, global share market valuations are attractive and are priced for a sharp fall in growth and any recovery in investor confidence could see a recovery in prices.

The strategy of the Fund remains defensive and biased toward income rather than growth investments. However, the Fund may look to increase the weight to shares if we become more comfortable that the European and US debt positions can be resolved and investor confidence be restored.

Disclosure of interest: Milford staff have \$50,000 invested in the Balanced KiwiSaver Fund at the 30 September 2011 unit price.

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www.milfordasset.com

Milford Funds Limited



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

	1 Month	6 Months	1 Year	Since Inception 1 April 2010
Milford Balanced Fund	+0.1%	(3.1%)	+1.6%	+2.0%

Market Returns by Investment Sector

Sector	1 month	Past 1 Year	Index
NZ shares	0.6%	5.2%	NZX50 Gross Index
Australian shares (\$NZ)	-5.0%	-12.0%	ASX 200 Gross Index in \$NZ
Global shares (\$NZ)	2.2%	-9.7%	MSCI World Index in \$NZ
NZ Property	1.9%	15.0%	NZX Property Index
NZ Bonds	1.1%	7.7%	NZX Corporate A Index
NZ Cash	0.2%	2.8%	NZX Cash Index

Investment Holdings

	30 September 2011	Neutral*
Milford Peak Fund	14.8%	15.0%
Milford Aggressive Fund	11.5%	15.0%
International Share Funds	14.6%	30.0%
Total Growth	40.9%	60.0%
Milford Income Fund	56.0%	37.5%
Cash	3.1%	2.5%
Total Income	59.1%	40.0%
Total Fund	100.0%	100.0%

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

