



The Milford Peak Fund

Client Update

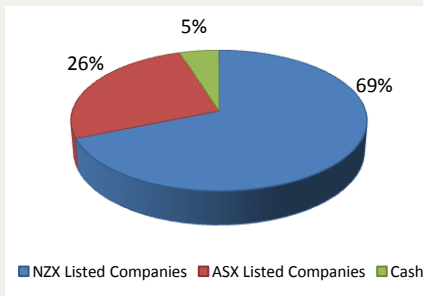
August 2011

Portfolio Manager



Jonathan Windust CFA

Portfolio Mix



Fund Size

\$38 million at 31/07/2011

Fees

1.05% capped annual fee plus a performance fee equal to 15% of returns above the target return.

Investment Objective

The Fund seeks to out-perform the NZX50 Portfolio Index (after fees & before tax) over a minimum 5 year investment horizon period.

Economic and Market Review

New Zealand economic data continued to improve over the month with strong business confidence, GDP and retail sales figures. The Reserve Bank of NZ left the official cash rate unchanged at 2.5% during the month although indicated it would reverse the 0.5% March rate cut in the near term assuming economic momentum continued. In contrast Australian economic data has generally disappointed market expectations in part due to earlier interest rate rises and a very strong Australian dollar.

New Zealand and Australian share markets fell 2.1% (NZX Portfolio Index) and 4.0% (7.0% in \$NZ) respectively during the month. Markets fell in response to weak global economic data and uncertainty surrounding the US government debt position.

Portfolio Review

The Milford Peak Fund fell 1.7% (after fees and before tax) during July. Key positives for performance were Eastern Star Gas (+41.3%), Diligent (+24.5%) and Beach Petroleum (+9.8%). Eastern Star rose following a takeover from Santos, a larger oil and gas company in Australia. Diligent rose following a very strong quarterly sales result which showed a 326% increase in annual licence fees compared to the same quarter a year earlier. Beach benefited from strong results from its conventional and unconventional oil and gas exploration in Australia.

Key detractors from performance were NZ Oil & Gas (-18.1%), Fisher and Paykel Healthcare (-9.4%), and Mirvac (-8.0%). NZOG was negatively impacted due to a reserves downgrade at its key oil producing well located in offshore Taranaki. Fisher and Paykel was impacted by the strong rise in the value of the \$NZ whilst Mirvac fell following negative sentiment toward the Australian property market.

During the month the Fund added a holding in Flight Centre an Australasian travel company which we believe is well positioned to benefit from an increasing number of Australians holidaying abroad due to the high \$A. This thesis was subsequently confirmed as Flight Centre upgraded its profits guidance.

Market Outlook and Investment Strategy

The short-term outlook for the NZ share market remains mixed with positives including improving economic momentum offset by slowing global growth and a high NZ dollar. The Australian market also remains mixed and has the additional headwinds of higher interest rates and slowing momentum in the domestic economy, although this is reflected in the valuations of many companies. In this environment the Fund remains cautious and focussed upon companies which we believe will meet earnings expectations in the August reporting season. We have also continued to increase the Funds weight toward New Zealand at the expense of Australia.

Disclosure of interest: Milford Staff have \$163,000 invested in the Fund at the 31 July 2011 unit price.

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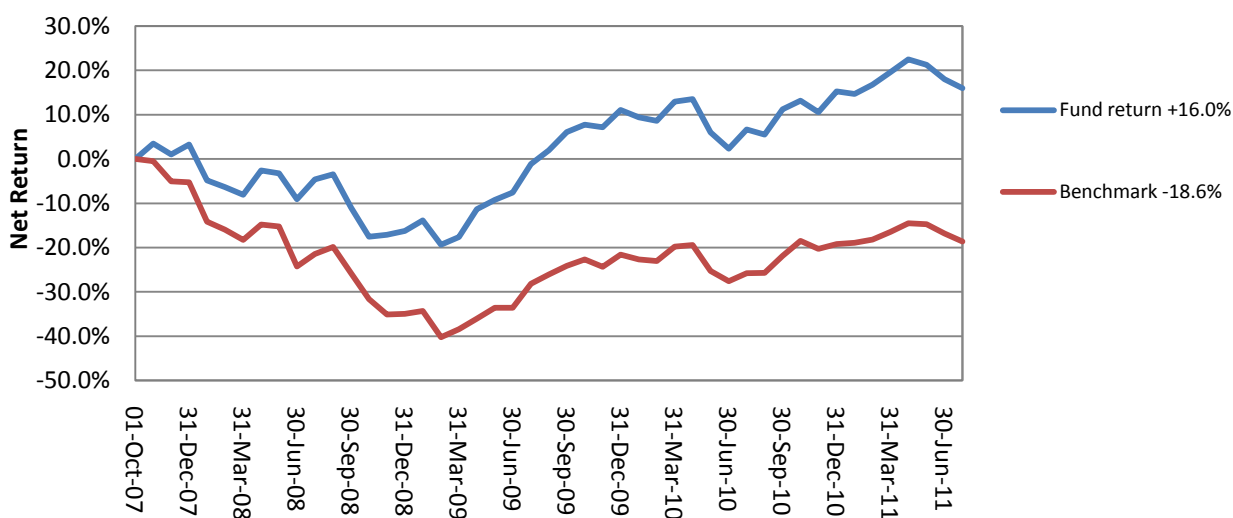
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Performance to 31 July 2011 (after fees and before tax)

	Past Month	Past 1 Year	Past 2 Years	Past 3 Years	Since Inception 1 October 2007
Milford Peak Fund	(1.7%)	+8.7%	+17.3%	+21.5%	+16.0%
Benchmark (NZX 50 Portfolio Index)	(2.1%)	+9.6%	+13.3%	+3.6%	(18.6%)
ASX 200 in \$NZ	(7.0%)	+3.2%	+12.0%	(0.8%)	(15.3%)
Performance versus Benchmark	+0.4%	(0.9%)	+4.0%	+17.9%	+34.6%

Investment Performance
(returns are since inception, before tax and after fees)



Holdings

Company	Holding	Company	Holding	Company	Holding
Ryman Healthcare	8.0%	Cromwell	1.9%	Diligent Board Members	1.5%
Fletcher Building	7.4%	Beach Energy	1.9%	Flight Centre	1.4%
Sky TV	5.7%	Mainfreight	1.9%	Vector	1.4%
Restaurant Brands	5.5%	Westpac	1.9%	NZ Oil & Gas	1.3%
Infratil	5.3%	Kathmandu	1.8%	Mirvac	1.3%
Telecom	4.4%	Buccaneer	1.7%	Oroton	1.2%
Sky City	4.4%	Automotive Holdings	1.7%	Air NZ	1.2%
Tower	3.5%	Collins Food	1.7%	Ramsay Healthcare	1.2%
Auckland Airport	3.1%	Spark Infrastructure	1.6%	Skellerup	1.2%
GPG	3.1%	Ausdrill	1.5%	ANZ	1.2%
Fisher & Paykel	2.0%	Coca-Cola Amatil	1.5%	Various other holdings*	10.4%
				Cash	5.2%

*Holdings of 1.1% or less have been combined into 'Various other holdings'

