



# The Milford Peak Fund

## Client Update

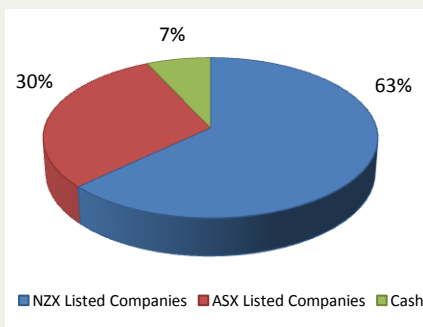
February 2011

### Portfolio Manager



Jonathan Windust CFA

### Portfolio Mix



### Fund Size

\$31 million at 31/01/2011

### 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

The New Zealand and Australian share market indices returned +0.4% and +0.2% (-1.4% in \$NZ) respectively during January. Returns were relatively subdued compared to many world share markets.

Lower share market returns in part reflect subdued economic growth in New Zealand and signs of slowing growth in Australia. New Zealand consumers continue to repay debt and increase savings rather than spend. In Australia the rate of growth has slowed in response to increases in interest rates. The bright spot for the New Zealand and Australian economies is strong demand and prices for our export commodities.

### Portfolio Review

The Peak Fund fell 0.5% during the month. Key positives for performance were Diligent (+20.6%) and Kathmandu (+18.3%). Diligent's share price rose following its fourth quarter sales report which showed a 59% increase in revenue on the previous year. Diligent continues to gain strong acceptance for its products and continues to win some very large international clients with the addition of the BBC during the quarter. Kathmandu rose following a trading update in which it forecast sales and profits to be up significantly on the previous year. Kathmandu's performance was in contrast to many NZ retailers, including Pumpkin Patch, The Warehouse and Hallensteins which all recorded falls in both sales and profits.

Key underperformers for the month were Pumpkin Patch (-15.0%), Air New Zealand (-6.7%) and Restaurant Brands (-6.1%). Pumpkin Patch was negatively impacted by weak demand in both Australian and New Zealand. In anticipation of a difficult trading environment the Fund had reduced its position in the company before the announcement. Air New Zealand was negatively impacted by rising oil prices whilst Restaurant Brands has fallen in response to a weak consumer spending environment.

### Market Outlook and Investment Strategy

We believe that many New Zealand and Australian companies are attractively valued and should generate good returns in an improving economic backdrop. Many New Zealand companies should also get a boost from the Rugby World Cup and the associated increase in Tourism. The key challenge for the Australian market is the impact of high interest rates and the high Australian dollar which may constrain its domestic economy. The Fund's strategy is to invest in those companies which we believe have good management teams, are well positioned to grow earnings and are undervalued by the market.

Disclosure of interest: Milford Staff have \$162,000 invested in the Fund at the 31 January unit price.

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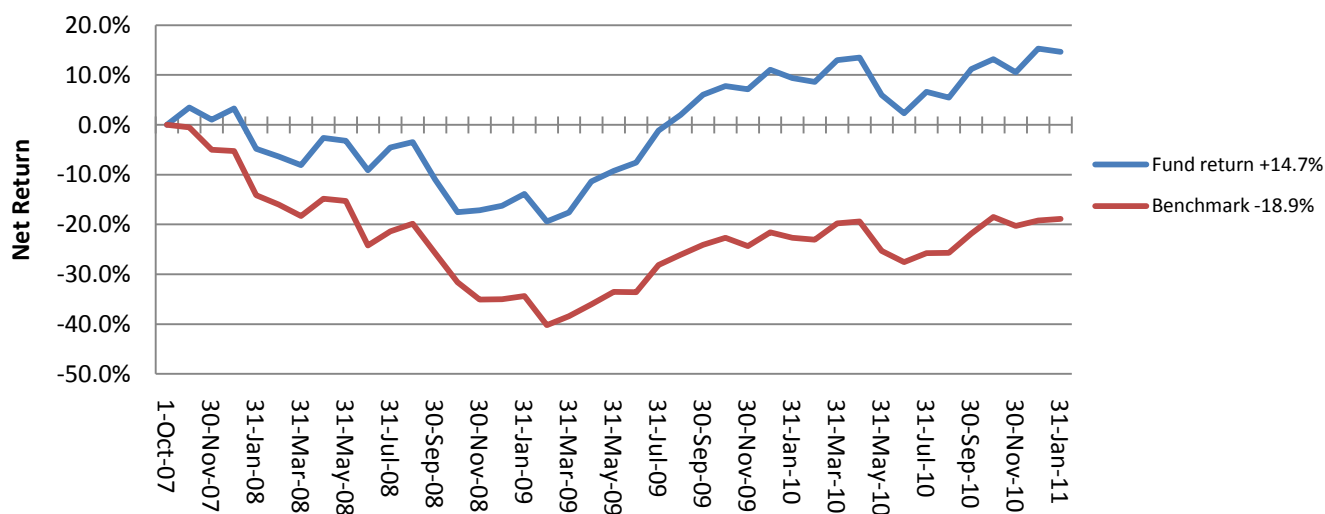


## Performance to 31 January 2011 (after fees and before tax)

	Past Month	Past 1 Year	Past 2 Years	Past 3 Years	Since Inception 1 October 2007
<b>Milford Peak Fund</b>	(0.5%)	+4.8%	+33.1%	+20.5%	+14.7%
<b>Benchmark (NZX 50 Portfolio Index)</b>	+0.4%	+4.9%	+23.5%	(5.6%)	(18.9%)
<b>Performance versus Benchmark</b>	(0.9%)	(0.1%)	+9.6%	+14.9%	+33.6%

## Investment Performance

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



## Holdings

Company	Holding	Company	Holding	Company	Holding
Sky TV	6.4%	Mainfreight	2.3%	ANZ	1.6%
Ryman Healthcare	6.2%	Myer	2.3%	NZ Oil & Gas	1.5%
Tower	5.6%	CSL	2.2%	Skellerup Ltd	1.4%
Restaurant Brands	5.4%	Sky City	2.0%	Ramsay Healthcare	1.4%
Fletcher Building	5.3%	Aristocrat Leisure	1.9%	Cromwell Group	1.3%
Auckland Airport	4.6%	PGG Wrightson	1.8%	Santos	1.2%
GPG	4.4%	Westpac	1.8%	F&P Healthcare	1.2%
Infratil	4.2%	APN	1.8%	Downer EDI	1.1%
Air New Zealand	3.1%	Origin	1.7%	Various other holdings*	14.5%
Kathmandu	2.5%	Seek	1.7%	Cash	7.6%

\*Holdings of 1.0% or less have been combined into 'Various other holdings'

