



# The Milford Peak Fund

## Client Update

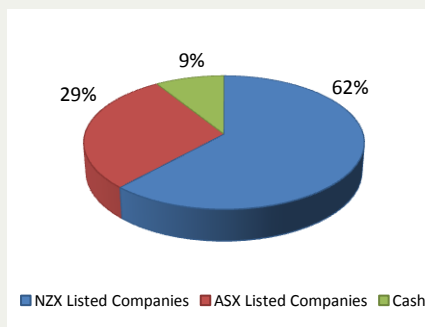
June 2011

### Portfolio Manager



Jonathan Windust CFA

### Portfolio Mix



### Fund Size

\$36.8 million at 31/05/2011

### 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 business confidence, in particular, rebounding strongly. Confidence figures showed a net 38% of respondents expect improved economic conditions, up from 14% in the previous month. In contrast Australian economic data generally deteriorated during the month and was negatively impacted by previous interest rate rises, a very strong currency and the Queensland floods.

The New Zealand share market fell 0.3% during the month taking its lead from negative moves in international markets. The Australian share market fell 2.0% largely in response to weaker economic data and reduced expectations for earnings growth. In \$NZ terms the Australian market fell 6.2% due to the sharp rise in the value of the \$NZ versus the \$A.

### Portfolio Review

The Milford Peak Fund fell 1.0% (after fees and before tax) during May with the major negatives being Australian companies. Key positives for performance were Telecom (+11.3%), Mainfreight (+8.1%) and Ryman Healthcare (+6.7%). Telecom rose following the announcement that it had been selected to design and build 70% of NZ's Ultra Fast Broadband network on terms more favourable than the market had expected. Mainfreight and Ryman both benefited from annual results which showed strong earnings growth.

Key negatives for performance were Westpac (-10.9%), Kathmandu (-9.1%) and Tower (-8.0%). Westpac and Kathmandu fell due to negative sentiment surrounding the Australian economy which may lead to slower growth going forward. Tower fell following its annual result, which was negatively impacted by the Canterbury earthquake.

### Market Outlook and Investment Strategy

The short-term outlook for the NZ share market remains mixed with positive factors including a recovering economy, strong exports, low interest rates, Christchurch rebuilding and strong Asian economic growth. Negatives include a slowing global economy, high oil prices and a high NZ dollar. Australian market prospects also remain mixed with strong growth from the resources sector and a relatively subdued domestic economy. From a medium-term perspective we believe both markets should deliver strong returns due to solid economic fundamentals and attractive valuations. Reflecting the mixed short-term backdrop the Fund has taken a cautious short-term strategy by increasing cash levels to around 9% at month end. However, the Fund remains active and we will look to deploy this cash as opportunities arise.

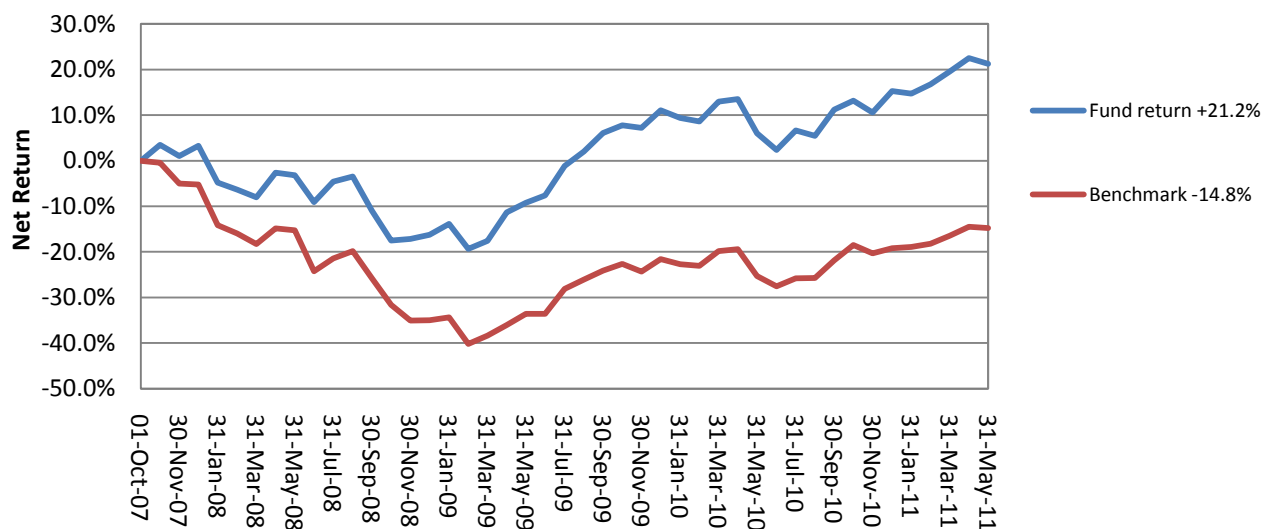
*Disclosure of interest: Milford Staff have \$171,000 invested in the Fund at the 31 May 2011 unit price.*



Performance to 31 May 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>	(1.0%)	+14.4%	+33.6%	+25.3%	+21.2%
<b>Benchmark (NZX 50 Portfolio Index)</b>	(0.3%)	+14.1%	+28.3%	+0.6%	-14.8%
<b>Performance versus Benchmark</b>	(0.7%)	+0.3%	+5.3%	+24.7%	+36.0%

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



Holdings

Company	Holding	Company	Holding	Company	Holding
Ryman Healthcare	6.4%	Automotive Holdings	2.1%	Oroton	1.4%
Fletcher Building	6.1%	Beach Energy Ltd	2.0%	Ramsay Healthcare	1.3%
Sky TV	5.7%	Cromwell	2.0%	AMP	1.3%
Restaurant Brands	5.6%	Kathmandu	2.0%	ANZ	1.3%
Infratil	4.3%	Telecom	2.0%	Skellerup	1.2%
Tower	4.0%	Mainfreight	1.9%	Air New Zealand	1.2%
Sky City	4.0%	Mirvac	1.5%	Myer	1.2%
Auckland Int Airport	3.5%	Vector	1.5%	Diligent	1.1%
GPG	2.8%	Transfield	1.5%	Nuplex	1.1%
Origin	2.1%	Seek	1.4%	Various other holdings*	13.5%
Westpac	2.1%	NZ Oil & Gas	1.4%	Cash	9.5%

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

