



# The Milford Peak Fund

## Client Update

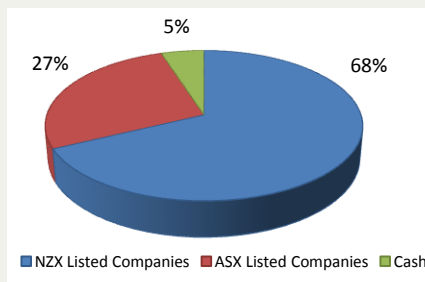
September 2011

### Portfolio Manager



Jonathan Windust CFA

### Portfolio Mix



### Fund Size

\$36 million at 31/08/2011

### 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 point to a recovery in growth with a rebound in building consents and good retail sales numbers. In contrast economic data in the rest of the world continued to deteriorate. With global growth slowing sharply most economists now expect the Reserve Bank of New Zealand to delay any future interest rate increases.

Share markets were extremely volatile during the month, initially in response to a downgrade of the US government debt rating and subsequently due concerns over European government finances. Share markets recovered some of their losses but ended the month down with the NZ and Australian share market indices falling 2.6% and 1.8% respectively. New Zealand and Australia outperformed global share markets benefiting from good profits reported by many companies during the month.

### Portfolio Review

The Milford Peak Fund fell 2.7% (after fees and before tax) during August. Key positives for performance were Beach Petroleum (+7.5%), Cromwell Property Group (+7.5%) and Vector (+6.3%). Beach rose following continued success from its oil and gas exploration activities. Cromwell and Vector benefited from solid earnings results and investors looking for companies with strong and stable dividend yields. Key negative performers were Collins Food Group (-16.8%), Diligent (-16.7%) and Fisher and Paykel Healthcare (-10.8%). Collins was a new issue in Australia and operates the KFC franchise in Queensland. Unfortunately, it entered the market at a difficult time and while attractively valued suffered from new investors reducing their holdings. Diligent had no new news and Fisher and Paykel Healthcare was negatively impacted by the strength of the \$NZ.

During the month the Fund added to its holding in Australian property companies Cromwell and Mirvac which we believed had been oversold. Both bounced strongly with Mirvac ending up 24% from the levels at which the Fund purchased during the month.

### Market Outlook and Investment Strategy

Share markets are likely to remain volatile given the prospect of weak global economic data, rising inflation and unsustainable global government debt positions. The positive for New Zealand is that valuations are attractive and growth prospects are improving due to strong export prices and the Canterbury earthquake rebuild. Whilst Australian growth prospects are more mixed valuations are very attractive. Furthermore, the Australian central bank has room to cut interest rates if growth prospects slow. In this environment the Fund's strategy is to remain active and to purchase quality companies whose share prices do not reflect their earnings potential.

Disclosure of interest: Milford Staff have \$159,000 invested in the Fund at the 31 August 2011 unit price.

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[www.milfordasset.com](http://www.milfordasset.com)

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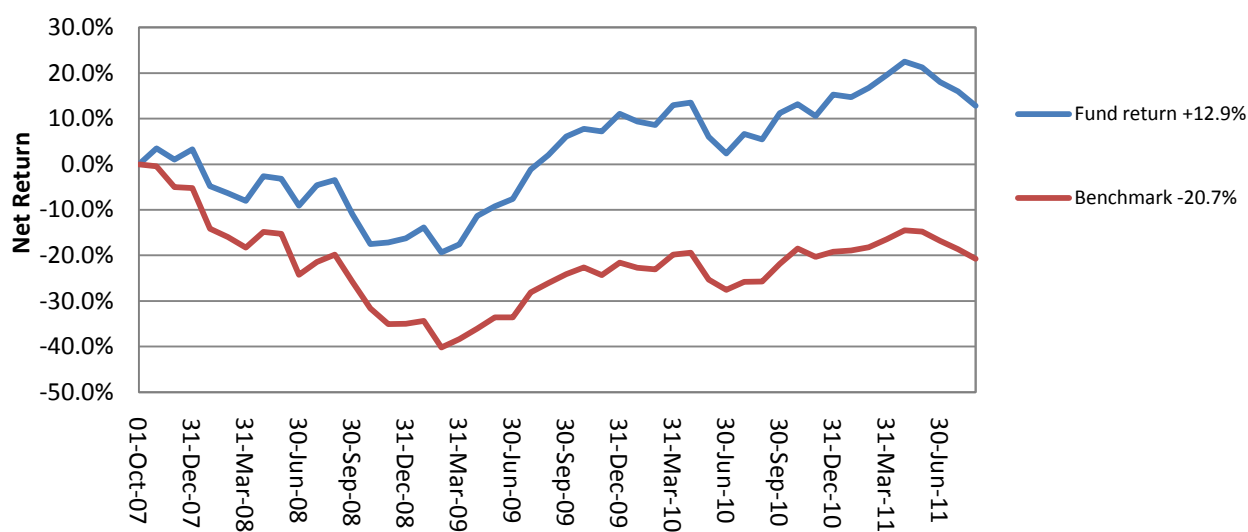


## Performance to 31 August 2011 (after fees and before tax)

	Past Month	Past 1 Year	Past 2 Years	Past 3 Years	Since Inception 1 October 2007
<b>Milford Peak Fund</b>	(2.7%)	+7.0%	+10.7%	+16.9%	+12.9%
<b>Benchmark (NZX 50 Portfolio Index)</b>	(2.6%)	+6.7%	+7.2%	(1.1%)	(20.7%)
<b>ASX 200 in \$NZ</b>	(1.8%)	+0.2%	+5.9%	(2.1%)	(16.9%)
<b>Performance versus Benchmark</b>	(0.1%)	0.3%	+3.5%	+28.0%	+33.6%

## Investment Performance

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



## Holdings

Company	Holding	Company	Holding	Company	Holding
Ryman Healthcare	8.0%	Cromwell	2.5%	Oroton	1.6%
Fletcher Building	7.5%	Mirvac	2.3%	Spark Infrastructure	1.6%
Sky TV	6.2%	Kathmandu	2.1%	Vector	1.5%
Restaurant Brands	5.6%	Automotive Holdings	2.0%	Flight Centre	1.4%
Telecom	4.5%	Fisher & Paykel	1.9%	Diligent Board Members	1.3%
Sky City	4.2%	Collins Food	1.8%	Ramsay Health Care	1.3%
Infratil	4.1%	Buccaneer	1.8%	Beach Energy	1.3%
GPG	3.7%	Ausdrill	1.7%	Skellerup	1.3%
Tower	3.6%	Coca-Cola Amatil	1.7%	Air NZ	1.2%
Mainfreight	2.9%	Westpac	1.7%	Various other holdings*	8.6%
Auckland Airport	2.7%	ANZ	1.6%	Cash	4.8%

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

