The Milford Trans-Tasman Fund

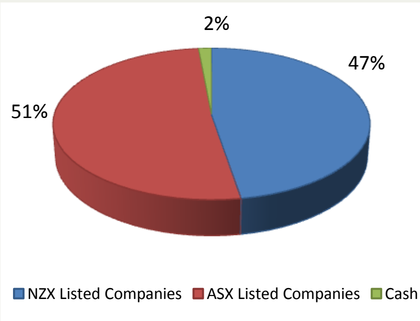
Fund Update

December 2011

Portfolio Managers

Marc Whittaker & Mark Warminger
(Australian Shares) (NZ Shares)

Portfolio Mix



Fund Size

$36.2 million at 30/11/2011

Fees

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

Investment Objective

The Fund's objective is to outperform a 50/50 mix of the New Zealand and Australian sharemarkets.

Economic and Market Review

The NZ and Australian markets both declined in November, as macro concerns dominated the performance of bourses globally. NZ outperformed global equities, falling by 1.5%, while Australia underperformed, falling over 2.6% (in NZ$). This compared to the MSCI World Index, which declined 2.7% for the month in local currency. Year to date the NZX50 Portfolio Gross Index is down 1.3%, and the ASX200 Accumulation Index is down 6.4% (in NZ$) versus 7.5% for the MSCI World Index in local currency terms.

Europe appears headed for recession, driven by sovereign debt imbalances, and the flow on effect on business, consumer and market confidence. While authorities address parts of the problem, the obvious move of expanding the Eurpoean Central Bank (ECB) balance sheet by printing money to buy up large quantities of debt continues to be resisted. Ultimately, this will need to be the end game, as European economies are likely to decline further.

In China, evidence of economic weakness across the economy continued. On a positive note inflation is rapidly declining and is no longer a threat to an easing cycle. Post the end of month China has cut its required reserve ratio, adding liquidity to the economy. Further monetary easing is likely to follow.

Recent economic data in the US has been positive, confirming the economy should grow by 2.5% or more in the current quarter. The question is whether the US economy can continue to accelerate whilst the rest of the world slows down. Since the US is a relatively closed economy, it could escape some of the global issues.

Portfolio Review

November was dominated by results and AGM season, with the majority of companies indicating that the operating environment (outside of mining investment in Australia) remains tough. Oroton, Ryman, NWH Holdings, SkyCity, Mainfreight, Kathmandu and Tower all reported solid results. Pumpkin Patch, Rakon and Fisher and Paykel Appliances all suffered from negative results/updates.

The Fund declined by 0.9% during November (after fees but before tax), significantly outperforming its benchmark. Key positives included Brambles, Tower, Amcor, Kathmandu, Spark, Mainfreight, NWH, Restaurant Brands, Ramsay Health Care, Diligent and Skellerup. Iluka and the banks detracted from performance.

Market Outlook and Investment Strategy

The NZ economy is forecast to grow at a below trend rate in 2011. Downside risks are still evident due to global imbalances and uncertainty is particularly high. Above trend growth is forecast to return in 2013 due to the earthquake reconstruction stimulus. But outside of this, GDP growth should be sub-par. In Australia, domestic economic data releases in November were mixed. Employment remained solid and commodity prices improved somewhat. However, Treasury downgraded the outlook for growth out to 2013. Moreover, the RBA commenced a rate-easing cycle, cutting the cash rate by 25bp to 4.5%, reflecting the negative outlook offshore and the relative stability of the domestic economy.

Whilst Australasian economic momentum seems to be waning, both markets appear undervalued on a number of metrics. Dividend yields are above historic averages, PE multiples sit below long term averages and on a bond to earnings or dividend ratio, equities are relatively attractive. There still remains much uncertainty with respect to European Sovereign Debt issues, Chinese growth concerns and a possible renewed recession in the US but it appears equities are pricing in these issues.

The Fund is overweight companies we believe have earnings momentum and the potential to surprise on the upside. The Fund is also overweight companies we believe to be defensive and yielding an attractive dividend rate. We believe both markets will remain volatile and this will present opportunities for the fund. Potential bad news has been factored in and valuations overall are attractive.

Disclosure of interest: Milford Staff have $165,000 invested in the Fund at the 30 November 2011 unit price

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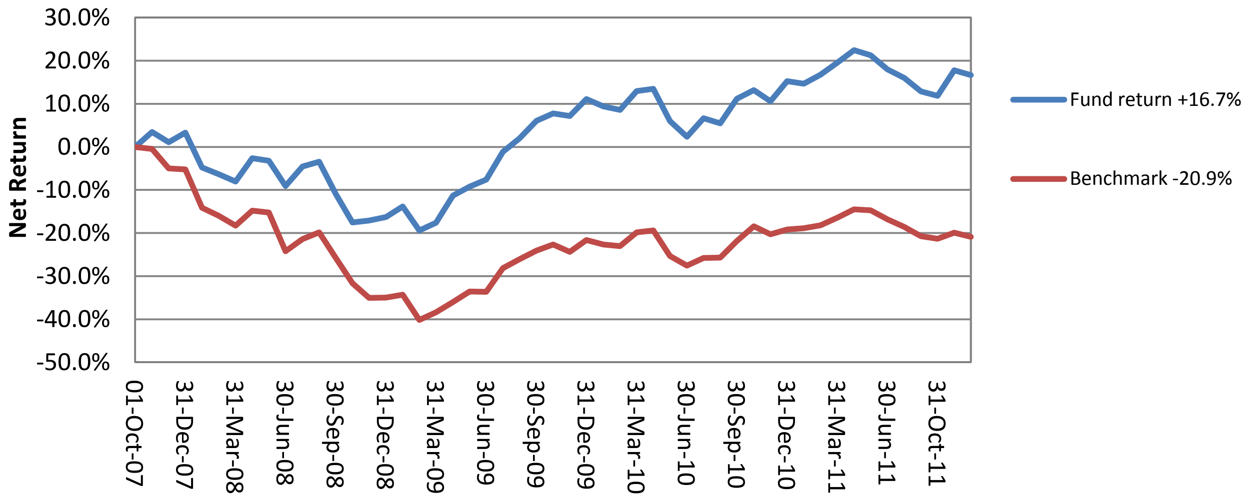
Milford Funds Limited

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

	Past Month	Past 1 Year	Past 2 Years (p.a)	Past 3 Years (p.a)	Since Inception 1 October 2007(p.a)
Milford Trans-Tasman Fund	(0.9%)	+5.5%	+4.3%	+12.1%	+3.8%
Benchmark*	(2.1%)	(2.6%)	+0.6%	+9.1%	(4.7%)
Performance versus Benchmark	+1.2%	8.1%	+3.7%	+3.0%	+8.5%

*Benchmark was the NZX50 Portfolio Index until 30/9/2011. From 1/10/2011 the benchmark is a 50/50 mix of the NZX50 Portoflio Index and the ASX200 index (in NZ dollars)

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



Holdings

Company	Holding	Company	Holding	Company	Holding
Sky TV	5.4%	BHP	2.5%	Telecom	1.6%
Ryman Healthcare	4.8%	Iluka Resources	2.5%	Fortescue Metals Group	1.6%
Mainfreight	3.9%	McMillian Shakespeare	2.3%	Macquarie Airports	1.6%
Sky City	3.6%	Kiwi Income Property	2.2%	Cromwell Property	1.5%
ANZ	3.5%	Vector	2.1%	Delegats	1.4%
Westpac	3.2%	Ramsay Health Care	2.1%	Technology One	1.4%
Auckland Airport	3.1%	GPG	2.1%	Skellerup	1.4%
Flight Centre	3.0%	Tower	2.1%	Freightways	1.3%
Brambles	2.8%	Restaurant Brands	2.0%	Beach Energy	1.2%
Oil Search	2.8%	SAI Global	2.0%	Argosy Property Trust	1.1%
Spark Infrastructure	2.8%	Invocare Ltd	2.0%	Atlas Iron	1.1%
Infratil	2.8%	NRW Holdings	1.9%	Various other holdings*	7.1%
Amcor	2.7%	Oroton	1.8%	Cash	1.5%
National Bank Aus.	2.6%	Diligent	1.7%		

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

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