

**MILFORD  
UNIT TRUST  
PIE FUNDS**

**Milford Unit Trust PIE Funds**

Investment Statement 1 October 2011

*MilfordFundsLimited*



## IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

<b>What sort of investment is this?</b>	<b>17</b>
<b>Who is involved in providing it for me?</b>	<b>17</b>
<b>How much do I pay?</b>	<b>19</b>
<b>What are the charges?</b>	<b>20</b>
<b>What returns will I get?</b>	<b>22</b>
<b>What are my risks?</b>	<b>27</b>
<b>Can the investment be altered?</b>	<b>28</b>
<b>How do I cash in my investment?</b>	<b>29</b>
<b>Who do I contact with inquiries about my investment?</b>	<b>30</b>
<b>Is there anyone to whom I can complain if I have problems with the investment?</b>	<b>30</b>
<b>What other information can I obtain about this investment?</b>	<b>31</b>

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

### The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

### Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check—

- the type of adviser you are dealing with;
- the services the adviser can provide you with;
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

Capitalised terms are defined throughout this document, or in the glossary on page 32.

MilfordFundsLimited



## Letter from the Manager of the Milford Unit Trust PIE Funds

**Dear Investor,**

We are delighted to offer investors an opportunity to access the investment skills of Milford Asset Management Limited through a range of Unit Trust PIE Funds to meet a variety of investment needs. These include the Income, Balanced, Active Growth (previously known as the Aggressive Fund) and Trans-Tasman (previously known as the Peak Fund) Funds, which are all registered PIEs (Portfolio Investment Entities).

At Milford our primary objective is to make money for you – our clients. We do this through taking a highly active approach to management of investment portfolios in order to take advantage of changing market conditions and opportunities.

Milford will bring its unique and successful investment approach to each of the Funds including:

- looking to preserve capital where possible, while still generating growth for our investors;
- having fair and reasonable fees that only provide us with higher rewards when our performance means we have earned them; and
- a commitment to transparency so that our investors can see clearly the investments that make up these Funds.

Milford will also be a strong advocate on your behalf, particularly in terms of corporate governance of the companies we invest in.

We are proud to say that Milford has gone from strength to strength – with funds that we manage rising from \$360 million two years ago to be more than \$800 million, as at the date of this Investment Statement. These Funds are offered by Milford Funds Limited, a 100% owned subsidiary of Milford Asset Management Limited. Milford also manages individual investment portfolios for high net worth individuals and for large organisations such as the Guardians of New Zealand Superannuation.

We believe that the Funds described in this Investment Statement are suitable for medium to long-term investors. Please note that you have the tax advantages of investing into unit trusts under the Portfolio Investment Entity Regime (PIE) for as long as the Funds remain eligible to be PIEs. The minimum initial investment for each Fund is \$10,000. No person, nor Milford Asset Management, provides any guarantee of the performance of the Funds offered under this Investment Statement or their ability to remain eligible to be PIEs under taxation laws.

Please read this Investment Statement in full to ensure that the approach and objectives for the Funds are consistent with your investment requirements. If you have any questions please visit our website at [www.milfordasset.com](http://www.milfordasset.com) or call us on (09) 921 4700 or 0800 662 345. We hope that you will join the increasing number of people that have seen what our approach can offer as a fund manager.

**Yours sincerely,**

**Brian Gaynor**  
**Executive Director**  
**1 October 2011**



## Introduction to Milford

Milford Asset Management Limited (Milford) is a specialist investment management company. Milford was formed in 2003 by a highly experienced team of individuals who recognised the need for an investment company that New Zealanders can trust and which provides a premium service. Milford strongly believes in the benefits of being a staff controlled company. The benefits of this include:

- attracting and retaining the best people
- understanding our clients' needs and objectives
- focusing our resources to generate the best returns for clients
- reacting quickly to changing market conditions and new opportunities
- aligning our success to the performance of our clients' funds

### Milford's core values are to:

- operate with honesty and integrity
- consistently seek to deliver superior investment returns
- be client focused
- strive for best practice in managing our clients' funds
- remain majority New Zealand and employee owned

## What's behind the name Milford Asset Management?

We wanted a name with a New Zealand flavour and chose "Milford Asset Management" for three main reasons.

Firstly, we wanted something that makes people think of New Zealand. We chose a New Zealand icon because we are proud to be a New Zealand staff controlled company.

Secondly, we wanted to invoke the image of Mitre Peak, rising slowly and steadily in the distance. Like Mitre Peak, we intend to be around for a very long time.

Finally, because of the serenity and peacefulness associated with Milford Sound. We wanted investors to think of investing with us as a pleasant and rewarding journey, as we aim to consistently produce superior returns while protecting our clients' capital.



## Milford's Investment Committee

Milford is managed by a top-level team of professionals with significant investment industry experience and expertise. Members of the Milford Investment Committee currently includes Brian Gaynor (Chairman of the Investment Committee), Anthony Quirk, Graeme Thomas, Alan Moore, Jonathan Windust, Mark Warminger and Marc Whittaker.

**Brian Gaynor** – Brian is Chairman of Milford's Investment Committee and head of Milford's portfolio management and investment analysis activities. Brian is one of New Zealand's most experienced and well known investment analysts. His career includes roles as a Partner and Head of Research at stockbrokers Jarden & Co, a member of the New Zealand Stock Exchange, Chairman of the New Zealand Society of Investment Analysts and Chairman of the Asian Securities Analysts Council. Brian is Portfolio Manager of the Milford Active Growth Fund and the Milford Active Growth KiwiSaver Fund (previously called the Milford Aggressive Fund and the Milford Aggressive KiwiSaver Fund).

**Anthony Quirk** – Anthony has more than 26 years experience in the investment industry. He joined Milford in 2007. As Milford's Managing Director he has overall responsibility for the company's business activities. Anthony is a Fellow of the Institute of Financial Professionals New Zealand and is a current board member of that organisation. He has previously been Chairman of the Asset Management Advisory Board of the New Zealand Exchange, member of the Financial Reporting Standards Board of the New Zealand Society of Accountants and Deputy Chairman of the New Zealand Society of Investment Analysts.

**Graeme Thomas** – Graeme joined Milford in 2003 from a position as Head of Advisory Services at ANZ Private Bank in New Zealand. He has 27 years experience in investment management including the role as Chief Investment Officer at Southpac Investment Management. In the 15 years Graeme was at Southpac, funds under management expanded to \$3 billion with assets sourced from pension and superannuation schemes, trusts and private clients.

**Alan Moore** – Alan Moore is one of New Zealand's most experienced investment managers with an impressive career in financial services stretching over 36 years. He joined Milford as an Executive Director on the company's formation in 2003. Alan is a member of the Chartered Institute of Bankers in London and is a Fellow of the Institute of Financial Professionals New Zealand. Alan was a founding member of the New Zealand Society of Investment Analysts.

**Jonathan Windust** – Jonathan has a wide range of investment experience across financial markets both in New Zealand and internationally. Prior to joining Milford in 2008 Jonathan worked for Gartmore Investment Management in London where he was portfolio manager for the Royal Bank of Scotland Pension scheme which had assets in excess of NZ\$25 billion. At Gartmore, Jonathan was responsible for investment strategy and investments into individual private equity funds and companies across Europe and Asia. Jonathan is Portfolio Manager of the Milford Income Fund.

**Mark Warminger** – Mark has a wide range of investment experience across financial markets both in New Zealand and internationally. Prior to joining Milford in 2011 Mark worked for Macquarie Private Wealth as Head of Investment Strategy in New Zealand. Prior to Macquarie Mark worked as an Investment Manager for Goldman Sachs New Zealand managing two high performing New Zealand and Australasian investment funds. Mark is the Portfolio Manager of the New Zealand equity portion of the Milford Trans-Tasman Fund (previously called the Milford Peak Fund).

**Marc Whittaker** – Australian born Marc has considerable experience in financial markets working in Sydney, with over 10 years in equity analysis. Prior to joining Milford he was an Associate Director at Lazard Asia Pacific Asset Management in Sydney specialising in technology, media, financials and developers and contractors. Marc held an earlier position in equity analysis with UBS Australia, where he specialised in telecommunications research. Marc is the Portfolio Manager of the Australian equity portion of the Milford Trans-Tasman Fund (previously called the Milford Peak Fund).

## The Investor's Rights

Milford recently launched "The Investor's Rights" which detail fundamental rights that we believe every investor should expect from organisations who look after investors money. The seven Investor's Rights are set out below.

- 1. The right to have someone you can trust looking after your money.** Milford has brought together some of the country's most experienced and respected investment experts, each with an impressive track record for making quality financial decisions. Our investment team, led by Executive Director Brian Gaynor, is committed to protecting and building the wealth of our clients.
- 2. The right to know your investment manager will act in your best interests.** Our investment focus is on companies that we believe demonstrate the highest levels of corporate governance and a strong commitment to their stakeholders.

And if we believe our standards are not being met we will seek change or sell our shareholding in an effort to protect your investment in the process.

- 3. The right to know exactly where your money is being invested.** Milford Fund's investors receive monthly fund updates outlining the investment holdings of a fund and the percentage value that each investment holding represents against the total value of the fund. Our monthly updates also include details of a fund's performance and market performance.



Left to Right: Marc Whittaker (Portfolio Manager and Head of Australasian Equities Research), Mark Warminger (Portfolio Manager), Brian Gaynor (Executive Director), Bryce Marsden (Chief Operating Officer), Sarah Mitchell (Client Services Officer), Sam Gibb (Analyst), Graeme Thomas (Executive Director), Jonathan Windust (Portfolio Manager), Erin Lyon (Private Portfolio Officer), Alastair Thomson (Head of Business Development), Anthony Quirk (Managing Director), William Curtaigne (Analyst), Victoria Harris (Client Services Assistant), Richard Somerville (Non-executive Chairman), Sarah Clements (Settlements Officer), Alan Moore (Executive Director)

**4. The right to know the value of your investments at any time.** Milford investors are able to view the value of their investments and a history of all transactions at any time online. In addition investors are mailed six monthly transaction statements.

**5. The right to sell your investments without penalty.** Unlike some other institutions, Milford does not penalise you if your financial situation changes and you need to liquidate assets. Milford investors are able to sell all or a part of their holdings at any time without penalty.

**6. The right to expect your investment manager to make decisions designed to protect and grow your investment.** We constantly assess everything that affects the value of your

investments. This includes proactively altering our investment strategy if our view of the market, a company's management or trading conditions change. Milford's policy of seeking to protect investors' capital means when we believe markets will fall significantly we don't expect our clients to simply weather the storm. Instead, we act to preserve your capital.

**7. The right to fair and reasonable fees with a 'pay for performance' philosophy.** Milford charges a capped management fee depending on the type of investment fund. This fee covers the normal operating costs associated with managing a fund and making investment decisions (including audit, trustee, registry and legal fees). It excludes brokerage and any performance fee. A performance fee is only charged if a fund exceeds its stated investment goals.



**A key to success for any investment management business is having the right people. We believe that Milford has one of the highest calibre teams in the market in terms of experience and expertise.**

## Investment Style

Milford adopts a highly active approach to portfolio management in order to attempt to take advantage of changing market conditions and investment opportunities.

### Key principles of our unique approach are:

- active portfolio management; we do not follow a “buy and hold” approach
- a focus on looking to preserve capital in bad times and invest more aggressively in better times
- detailed investment research and regular company visits
- understanding changes in the global and local economic environment and how this will impact on our clients’ investments
- managing risk through appropriate portfolio diversification
- focusing on our key competencies. Where we do not have the skills or knowledge, such as with international investments, we identify organisations that do.

We believe that our approach and philosophy will consistently generate superior positive results for our clients.

## Investment Process

Our investment selection process aims to identify investments which have prospects that have not been recognised by other investors in the market.

Milford conducts in-depth research into potential and current investments to understand the key drivers of performance and future prospects. We place significant importance on meeting companies and have a disciplined company visit programme. Milford is also able to leverage off the extensive knowledge and experience of its investment team.

Milford focuses on the following issues when considering existing and potential investments:

- industry growth prospects and dynamics
- competitive position and strategy
- management and governance
- financial prospects
- valuation

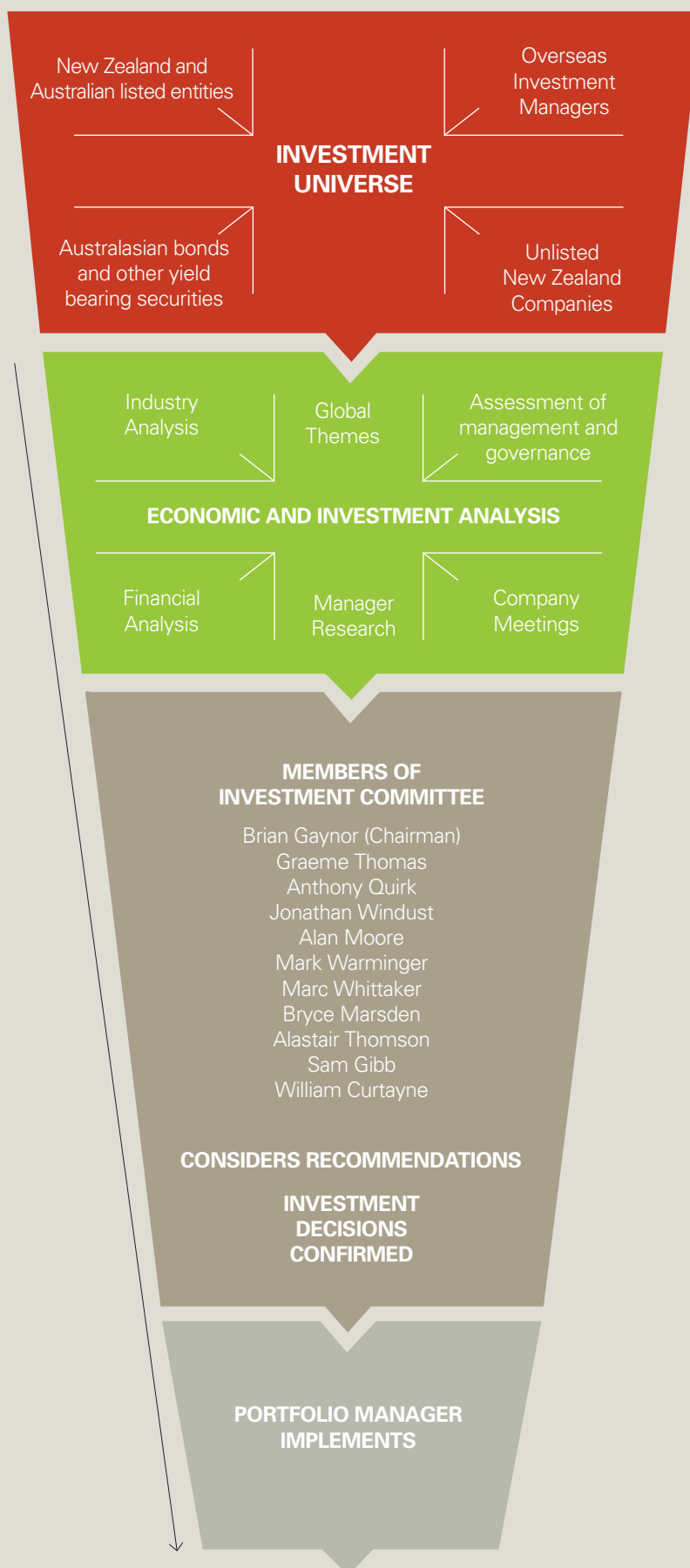
Our investment analysis is supplemented by detailed economic analysis which focuses on following key economic indicators from New Zealand and overseas.

At the date of this Investment Statement Milford uses external fund managers for investments outside of Australasia. In selecting these managers, Milford has a preference for managers that have similar characteristics to Milford, namely, that these managers are:

- specialist investment firms
- majority employee owned
- staffed by highly experienced investment professionals
- operating with a like-minded investment philosophy and approach

The result of the investment analysis is typically discussed at our regular Investment Committee meetings. What we believe to be the best investment ideas are then included, where applicable, in each Fund by the Portfolio Manager responsible for that Fund.

## Milford's Investment Process



## Introducing the Milford Family of Funds

We have four investment funds to meet the requirements of investors with different risk tolerances. This Investment Statement outlines our Unit Trust Funds.

- the **Milford Active Growth Fund**, for investors looking for an investment with the objective of producing steady compounding growth, primarily from Australasian equity and bond investments; and
- the **Milford Trans-Tasman Fund**, for investors who require a Fund that has an actively managed split of Australian and New Zealand equities; and
- the **Milford Balanced Fund**, for investors who wish to have a diversified fund including investments outside of Australasia; and
- the **Milford Income Fund**, for investors who are primarily investing for an income rather than capital growth.

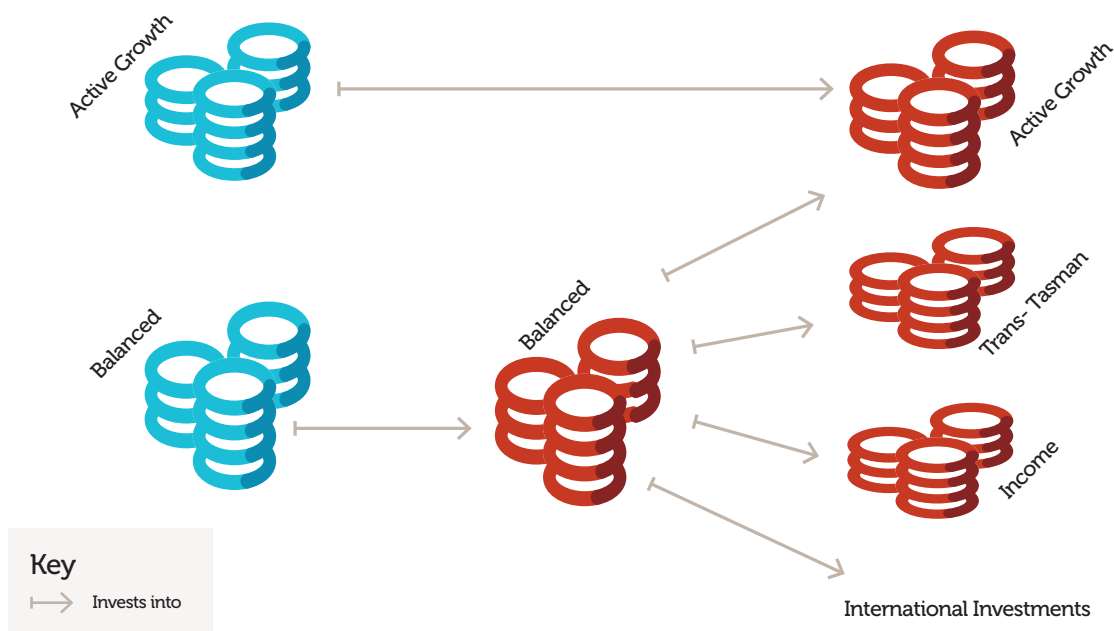
All our Unit Trust and KiwiSaver Funds are PIE (portfolio investment entity) registered. This has potential tax benefits to you, enabling your investment to be taxed at your own marginal tax rate (the rate of tax the IRD taxes you at individually for your last dollar of income) or at a top rate of 28%. Generally, gains made by any Milford Fund on the sale of shares in New Zealand resident companies or Australian resident listed companies (on an ASX approved index) will not be liable for capital gains tax.

We also offer the Milford Active Growth KiwiSaver Fund (previously known as the Milford Aggressive KiwiSaver Fund) and the Milford Balanced KiwiSaver Fund through the Milford KiwiSaver Plan, which is offered through a separate Investment Statement. KiwiSaver offers you incentives to save, while requiring that in most circumstances your funds remain invested until retirement. The Milford Unit Trust Funds are PIEs and do allow you more flexibility than KiwiSaver funds to withdraw your funds, if required.

Together the Milford family of funds offers you a range of alternatives depending on your investment requirements, investment goals and tolerance for risk. The Milford family of funds are pictured below.

### Milford KiwiSaver Funds

### Milford Unit Trust PIE Funds



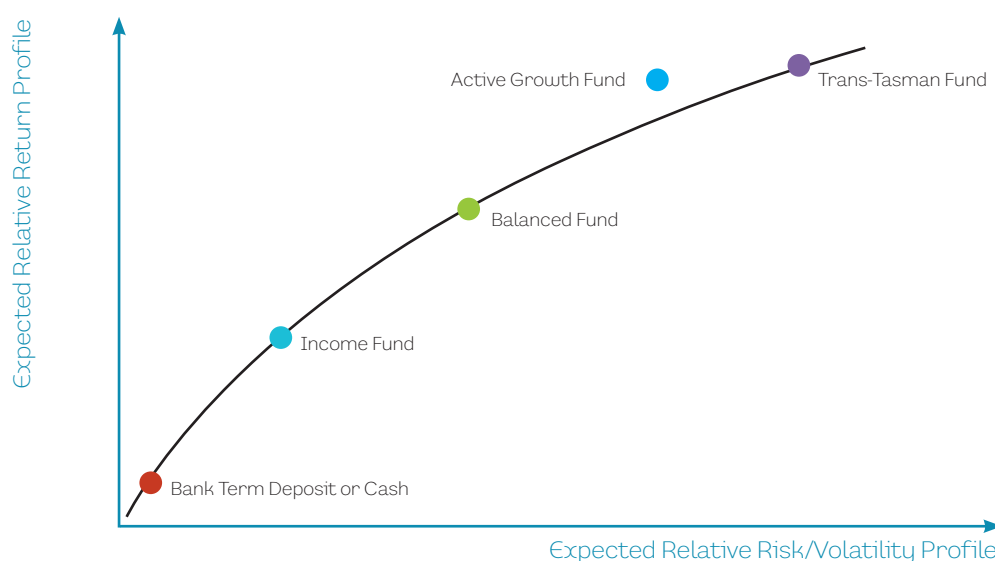
The Milford Balanced Fund invests into the Milford Income, Active Growth and Trans-Tasman Funds and into investments outside of Australasia with managers selected by Milford.

Investors using our unit trusts that are KiwiSaver members or who wish to start investing for their retirement may consider the option of our KiwiSaver range. To find out more or for an Investment Statement for the Milford KiwiSaver Plan please visit our web site at [www.milfordkiwisaver.co.nz](http://www.milfordkiwisaver.co.nz) or call us on (09) 921 4700 or 0800 662 346.

## Introduction to our Unit Trust PIE Funds

Milford has four PIE registered Unit Trust Funds available to New Zealand investors. The Balanced, Active Growth and Trans-Tasman Funds are focused upon generating long-term growth for their investors and incur varying levels of risk to achieve this. As its name suggests the Income Fund is more focused on generating income for its investors. These Funds all benefit from Milford's rigorous research process and experienced Investment Committee to select investments.

**Illustrative Expected Risk and Return Profile for the Milford PIEs (individually and in combination)**



### What is the difference between the Funds?

The key difference between the Funds is their investment objectives and relative risk profiles. The chart above illustrates the difference between the Funds individually (and in combination) in terms of their expected risk and return characteristics over the longer term. The following outlines some key differences in the Funds ranking them from lowest to highest expected risk levels.

- The Milford Income Fund looks to generate income for investors with an investment horizon of at least three years. The Fund's objective is to exceed (after fees and before tax) what investors could get from bank deposit investments and to provide sufficient income and capital growth to protect investors against inflation. However the nature of its bond and share investments means that some negative or positive fluctuations in the unit price of the Income Fund will occur. Therefore it is not guaranteed that the Fund's capital value (unit price) will not fall from time to time. The Milford Income Fund will take an active approach to bond and equity sector allocations and the securities chosen within each sector.
- The Milford Balanced Fund's objective is to provide consistent positive long-term capital growth from a diversified mix of investments, including New Zealand bonds and shares and global bonds and shares, either directly or indirectly through pooled funds. It will be actively managed in terms of the sector weightings and currency exposure to reflect our investment outlook and aims to generate positive long-term returns through good times and bad. It can hold material levels of cash or low risk investments when attractive investment opportunities are scarce.
- The Milford Active Growth Fund's objective is to generate positive annual returns of at least 10% (before tax and after fees) in good markets and bad. To achieve this, the Fund is actively managed and will usually be primarily invested directly in shares in New Zealand and Australian companies. However, it can hold material levels of cash and bonds when attractive opportunities are scarce and the prospect for share markets is poor.
- The Milford Trans-Tasman Fund's objective is to outperform a 50/50 mix of the New Zealand and Australian sharemarkets. The Fund normally has more than 80% invested in New Zealand and Australian shares and will more closely track the performance of markets compared to the Active Growth Fund (ie it is a higher risk fund). It focuses on companies that Milford believes are in attractive industries, have a strong competitive position and excellent management and Board.

### Who are these Funds suitable for?

The Active Growth and Balanced Funds are more suited to investors who want Milford to actively manage their investments and make the decision about when to increase or decrease the exposure to shares. The Active Growth Fund focuses on New Zealand and Australian investments while the Balanced Fund also has investments outside of Australasia. Both of these Funds look to preserve capital in addition to generating growth. Because of this these Funds may hold significant amounts of cash and may underperform in a strongly rising market. However, if Milford can successfully avoid losses in falling markets, the Balanced and Active Growth Funds are more likely to perform well over time with less volatile returns.

The Milford Trans-Tasman Fund is more suited to investors who want to access New Zealand and Australian share market returns but want the benefit of Milford's ability to actively select companies which are expected to outperform others. The Milford Trans-Tasman Fund is expected to generally outperform the Active Growth Fund in rising markets and underperform the Active Growth Fund in falling markets. Therefore, the Milford Trans-Tasman Fund is expected to be more volatile than the Milford Active Growth Fund.

The Milford Income Fund is suited to investors who are more conservative and/or who have a shorter investment horizon and who are looking to receive regular income from their investments. The Income Fund is the only Milford Fund that currently makes distributions. Investors do have the ability to "top up" distributions by withdrawing units but must recognise this can reduce their investment capital in the Income Fund.

At the date of this Investment Statement the minimum initial investment amount is \$10,000 for each of the Funds. Milford may at its discretion vary this amount for any of the Funds. A summary of the key features of the Funds is shown below.

	<b>Milford Income Fund</b>	<b>Milford Balanced Fund</b>
Recommended Investment Time Frame	At least three years	At least five years
Investment Return Target / Benchmark	To exceed the 90-Day Bank Bill Index (after fees and before tax)	Capital growth over time
Investment Policy	To hold a diversified mix of yield oriented investments (including bonds and shares) and take an active approach to sector and security selection. The Fund can short-sell securities and use derivative products.	To hold a diversified investment portfolio including New Zealand cash, bonds and shares and global cash, bonds and shares. The Fund can short-sell securities and use derivative products.
Distribution Policy	Quarterly Distributions are made with additional regular fixed payments available	No distributions are made by this Fund

	<b>Milford Active Growth Fund</b>	<b>Milford Trans-Tasman Fund</b>
Recommended Investment Time Frame	At least five years	At least five years
Investment Return Target / Benchmark	A return of 10% per annum (after fees and before tax)	A mix of 50% ASX 200 Total Return Index (in NZ dollars) and 50% NZX 50 Portfolio Index
Investment Policy	To actively manage shares in New Zealand and Australian listed companies and also potentially shares in unlisted companies, cash and bonds. The Fund can borrow, short-sell securities and use derivative products.	To actively manage a portfolio of mainly New Zealand and Australian listed companies and cash, and potentially unlisted New Zealand companies and unit trusts. The Fund can short-sell securities and use derivative products.
Distribution Policy	No distributions are made by this Fund	No distributions are made by this Fund



## Fair and Simple Fees

You should be able to see clearly both what investments are being made on your behalf and how much you can expect to pay for our management. This can equally apply to the cost of any advice that you may receive about how to invest. The cost of advice should be clear and separate from the cost of investment management. There are no advice costs built into our Funds – you should seek separate financial advice if you feel that you need to do so.

There are two types of fees when you invest in Milford Unit Trust PIE Funds.

## Management Fee

We chose to combine the investment management, Trustee, custodial, fund accounting, unit pricing, registry, audit, legal and other normal fund operating expenses in one low management fee.

## Performance Fee

To incentivise Milford to do well we also charge a performance fee in some of our Funds if we achieve certain investment targets (or benchmarks).

To the extent that assets of the Milford Balanced Fund are invested in any other Milford funds the Balanced Fund will be fully rebated for the management fees charged within those funds. However, any performance fee charged by Milford in respect of those funds will remain payable.

There are no entry or exit fees for the Milford Unit Trust PIE Funds.

The fees for the Milford Unit Trust PIE Funds are summarised below.

	Milford Income Fund	Milford Balanced Fund
Capped management fee*	<b>0.65% p.a.</b>	<b>1.05% p.a.</b>
Performance fee	10% of the performance of the Income Fund (after deducting the management fee) above the target return is potentially payable to Milford (see pages 10 and 21 for more details)	None directly paid from the Balanced Fund, although Milford will potentially receive performance fees on any Balanced Fund investments into the Milford Income, Active Growth and Trans-Tasman Unit Trust Funds in its capacity as manager of those other funds

	Milford Active Growth Fund	Milford Trans-Tasman Fund
Capped management fee*	<b>1.05% p.a.</b>	<b>1.05% p.a.</b>
Performance fee	15% of the performance of the Active Growth Fund (after deducting the management fee) above the target return of 10% p.a. is potentially payable to Milford (see pages 10 and 21 for more details)	15% of the performance of the Trans-Tasman Fund (after deducting the management fee) above the target return is potentially payable to Milford (see page 10 and 21 for more details)

\* Includes management fee paid to Milford as well as fees for Trustee, custody, registry, fund accounting, unit price, audit services and any other normal operating costs of running the Funds (including applicable GST). It excludes abnormal costs, brokerage and any performance fees. The Balanced Fund usually has an allocation to international investments. Any international management fees charged by International Fund Managers are in addition to any Milford fees and are deducted within each Fund.

## How to Invest

If you are a new investor:

1. Read this Investment Statement.
2. Complete the application form on pages 13 and 14 of this Investment Statement.
3. You can pay by cheque for the minimum \$10,000 initial investment amount made out to TEA Custodians o/a Milford Funds Ltd crossed 'non transferable' or direct credit into the following bank account **02 0500 0907231 000** in the name of TEA Custodians o/a Milford Funds Ltd.
4. Mail documentation to:  
Milford Funds Limited  
c/- Trustees Executors Limited  
PO Box 409  
Wellington 6140

If you are an existing investor:

1. Please obtain an application form on pages 13 and 14 of the Investment Statement.
2. Place your unitholder number in the boxes at the top of the application form.
3. Tick the box at the top of the form which states "This is a subsequent investment" and complete the Investor Details on the application form. You do not need to provide identity documentation with subsequent investments.
4. You can pay by cheque made out to TEA Custodians o/a Milford Funds Ltd crossed 'non transferable' or direct credit into the following account **02 0500 0907231 000** in the name of TEA Custodians o/a Milford Funds Ltd. If you do direct credit, please reference your unitholder number or IRD number and name in the electronic payment.
5. Mail documentation to:  
Milford Funds Limited  
c/- Trustees Executors Limited  
PO Box 409  
Wellington 6140

### Application Form

Please complete all sections of the application form contained with this Investment Statement.

To ensure your details are recorded correctly, please:

- Print, using ball point pen.
- Use capital letters.
- If an item is not applicable please leave the designated area unmarked.
- If you make a mistake simply draw a line through the mistake and initial the change, do not use correcting fluid.
- If there is not enough space please use any available space in the margins.

### Prescribed Investor Rate (PIR)

For details on which PIR rate to choose, please see the 'Taxation section' on pages 24 and 25.

### Distribution Details for the Income Fund

Milford intends to make regular distributions from the Income Fund. Investors do have the ability to "top up" distributions from the Income Fund by withdrawing units and this can be requested in the application form but investors must recognise this can reduce their investment capital in the Income Fund.

### Direct Debit form

Ongoing contributions can be made via the direct debit form on page 15 and 16 or by internet banking or via a cheque.

### Investing for Children

If the child is under 16, a parent or guardian is required to sign the application. The child's IRD number and evidence of identification for the child and parent or guardian are also required to process the application. See the application form for acceptable forms of identification.

**Please contact us on (09) 921 4700 or 0800 662 345 or visit the Milford website: [www.milfordasset.com](http://www.milfordasset.com), if you have any problems or questions about filling in the application or direct debit forms.**

ADVISER'S STAMP

OFFICE USE ONLY:

/ /

DATE

ML

UNITHOLDER NUMBER

BROKERS STAMP

ADVISORS CODE

### Application Form

Please tick appropriate box

- This is an application to make an initial investment into the **Milford Unit Trust PIE Funds**
- This is a subsequent investment (Please insert your unitholder number in the boxes provided above)

Please mail this application form, together with your cheque and any other relevant documentation to:

**Milford Funds Limited**  
**c/- Trustees Executors Limited**  
**PO Box 409, WELLINGTON 6140**

If you pay by direct credit please send this application form and your payment details to TEA Custodians Limited at the address above.

#### INVESTOR DETAILS

**Company/Trust Name** (Please list names of Trustees, Directors etc below)

IRD NUMBER (FOR COMPANY/TRUST)

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#### Individuals (also Trustee #1/ Director #1 etc)

TITLE	SURNAME	FIRST NAMES
DATE OF BIRTH	IRD NUMBER	EVIDENCE OF IDENTITY PROVIDED
/ /	<input type="text"/>	<input type="checkbox"/> Additional evidence is required - please refer to 'Unitholder identification' overleaf

#### Individuals (also Trustee #2/ Director #2 etc)

TITLE	SURNAME	FIRST NAMES
DATE OF BIRTH	IRD NUMBER	EVIDENCE OF IDENTITY PROVIDED
/ /	<input type="text"/>	<input type="checkbox"/> Additional evidence is required - please refer to 'Unitholder identification' overleaf

#### Individuals (also Trustee #3 / Director #3 etc)

TITLE	SURNAME	FIRST NAMES
DATE OF BIRTH	IRD NUMBER	EVIDENCE OF IDENTITY PROVIDED
/ /	<input type="text"/>	<input type="checkbox"/> Additional evidence is required - please refer to 'Unitholder identification' overleaf

**PRESCRIBED INVESTOR RATE (PIR):** 0%  10.5%  17.5%  28%

(Tick one - if none selected, 28% will apply). If a joint investor indicate highest PIR. Please see page 24 of the Investment Statement for more details.

#### Investment on Behalf of a Minor

(Please give details of the person who is to control this investment (eg parent or guardian) if the above named investor/s are 16 years or under)

TITLE	SURNAME	FIRST NAMES
DATE OF BIRTH	IRD NUMBER	EVIDENCE OF IDENTITY PROVIDED
/ /	<input type="text"/>	<input type="checkbox"/> Additional evidence is required - please refer to 'Unitholder identification' overleaf

RELATIONSHIP TO INVESTOR (Please specify)

PLEASE INDICATE AGE AT WHICH ABOVE NAMED INVESTOR/S MAY HAVE CONTROL OF THIS INVESTMENT

--	--

#### Contact Details

POSTAL ADDRESS		POSTCODE
HOME PHONE	BUSINESS PHONE	FAX
( )	( )	( )
MOBILE	EMAIL ADDRESS	
( )		

**INVESTMENT DETAILS**

	INITIAL INVESTMENT (MINIMUM OF \$10,000)	SUBSEQUENT INVESTMENT (MINIMUM OF \$1,000)	REGULAR INVESTMENT (MINIMUM \$1,000 per annum)
Milford Active Growth Fund			
Milford Trans-Tasman Fund			
Milford Income Fund			
Milford Balanced Fund			

Regular withdrawal amount for **Income Fund** occurs on the 15th or the next business day of that time period.

Please note, if you elect a regular withdrawal, your distribution will be set to "reinvest"

**Regular withdrawal amount**

**Frequency**

\$

Monthly

Quarterly

6 Monthly

Annually (the minimum amount per withdrawal is \$200)

**PAYMENT:**

**Cheque** - Please make your cheque payable to 'TEA Custodians Ltd o/a Milford Funds Ltd' and cross it 'not transferable'.

**Direct Credit** - Please deposit direct credit payments in the following TEA Custodians Limited o/a Milford Funds Ltd account:

02-0500-0907231-000. Please reference this payment with your IRD number and your name, or the investing Trusts IRD number and name.

**DISTRIBUTION / PAYMENT INSTRUCTIONS FOR THE INCOME FUND ONLY** (If no option is given here your account will be set for the reinvestment option)

REINVEST THE DISTRIBUTION or:

DIRECT CREDIT THE DISTRIBUTION to the bank account below:

ACCOUNT NAME	<input type="text"/>	BANK	<input type="text"/>			
BRANCH	<input type="text"/>	ACCOUNT NUMBER	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
		BANK	BRANCH	ACCOUNT NUMBER	SUFFIX	

**UNITHOLDER IDENTIFICATION**

Under the Financial Transactions Reporting Act 1996, verification of identity is required where payment is by any means other than a personal cheque.

**Personal investors**

Acceptable forms of identification for personal investors include a photocopy of one of the following:

- Appropriate pages of passport
- Drivers licence
- Marriage certificate
- Birth certificate

**For the following investor categories, identification must be verified by providing photocopies of each of the items listed.**

**Corporations**

- Certificate of Incorporation

The director who has signed the application must also provide full details and evidence of identity as specified for personal investors.

**Trusts and estates**

Identification is required for all trustees and executors, as specified for personal investors above.

**Investing for another person under power of attorney**

Identification of the person in whose name the investment is being made, is as specified for personal investors above. In addition, copies of each of the following documents are required:

- Power of Attorney
- Certificate of Non-Revocation

**Investing on behalf of a minor (16 years and under)**

Identification of the person in whose name the investment is being made (the minor) as well as the individual(s) making the investment on behalf of a minor, is as specified for personal investors above.

**THE PRIVACY ACT 1993**

This statement relates to the personal information that you are providing to Milford Funds Limited by way of this application and any subsequent personal information which you may provide in the future. The personal information you have supplied may be used by Milford Funds Limited and Trustees Executors Limited (and related entities thereof) for the purposes of enabling Milford Funds Limited to arrange and manage your investment, and to contact you in relation to your investment. Milford Funds Limited will provide you (on request) with the name and address of any entity to which information has been disclosed. You have the right to access all personal information held about you by Milford Funds Limited. If any of the information is incorrect, you have the right to have it corrected. You acknowledge that you are authorised to provide personal information on behalf of the applicant and evidence of this authority is provided (in the case of a parent/guardian/other providing information about the applicant). You agree that your/each of your names and addresses may be used by Milford Funds Limited or any of its related companies, including Milford Asset Management Limited to provide you with newsletters and other information about the Milford Unit Trust PIE Funds and other products and services.

Tick here if you do not wish to receive such additional information (either by mail or email).

**DECLARATION**

I/We have read and retained a copy of the attached Investment Statement dated 1 October 2011 and agree to be bound by the terms and conditions of the Trust Deed. I/We agree to the terms outlined above in relation to the Privacy Act 1993 and the supply of personal information. I/We understand that the Milford Unit Trust PIE Funds are a vehicle for long-term investment and as the Funds invest in shares, the value of my/our investment is liable to fluctuations and may rise and fall from time to time. I/We understand the manner in which the fees will be deducted from my/our investment.

SIGNATURE OF APPLICANT, TRUSTEE OR DIRECTOR

DATE

/ /

SIGNATURE OF APPLICANT, TRUSTEE OR DIRECTOR

DATE

/ /

SIGNATURE OF APPLICANT, TRUSTEE OR DIRECTOR

DATE

/ /

This form should only be completed if you choose to make subsequent regular investments

	ADVISORS STAMP

### Direct Debit Authority for the Milford Unit Trust PIE Funds

#### INVESTOR INSTRUCTIONS

INVESTOR NAME(S) UNITHOLDER NUMBER

\_\_\_\_\_ ML

DIRECT DEBIT START DATE (required) DIRECT DEBIT AMOUNT

\_\_\_\_/\_\_\_\_/\_\_\_\_ \$ \_\_\_\_\_

FREQUENCY

Weekly  Fortnightly  Monthly  Quarterly

I/We have read and retained a copy of the attached Investment Statement dated 1 October 2011 and agree to be bound by the terms and conditions of the Trust Deed.

#### BANK INSTRUCTIONS

NAME OF BANK ACCOUNT FROM WHICH PAYMENTS ARE TO BE MADE:

\_\_\_\_\_

BANK ACCOUNT NUMBER FROM WHICH PAYMENTS ARE TO BE MADE:

BANK BRANCH ACCOUNT NUMBER SUFFIX

(Please attach an encoded deposit slip to ensure your number is loaded correctly)

\_\_\_\_\_

BANK

\_\_\_\_\_

BRANCH

\_\_\_\_\_

TOWN/CITY

#### INFORMATION TO APPEAR ON INVESTORS BANK ACCOUNT STATEMENT

PAYER PARTICULARS	PAYER CODE (IRD or unitholder number)	PAYER REFERENCE
M I L F O R D F U N D S	<input type="text"/>	<input type="text"/>

#### CUSTOMER AUTHORISATION

I/We authorise you, until further notice in writing, to debit my account with all amounts which **Milford Funds Limited** (hereinafter referred to as the Initiator) the registered Initiator of the above Authorisation Code, may initiate by Direct Debit.

I/We acknowledge and accept that the bank accepts this authority only upon the conditions listed on the reverse of this form.

\_\_\_\_\_ / \_\_\_\_ / \_\_\_\_

YOUR SIGNATURE(s)	DATE
<p>APPROVED: 1715</p> <hr/> <p>08   07</p>	<p>For Bank Use Only</p> <p>ORIGINAL - RETAIN AT BRANCH</p> <p>DATE RECEIVED: <input type="text"/> RECORDED BY: <input type="text"/> CHECKED BY: <input type="text"/></p>

**AUTHORITY TO ACCEPT DIRECT DEBITS**  
(Not to operate as an assignment or agreement)

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**AUTHORISATION CODE**  
**0 2 1 7 1 5 5**

BANK STAMP

## CONDITIONS OF THIS AUTHORITY

### 1. The Initiator:

- (a) Regular Fixed Amounts;

The Initiator undertakes to give written notice to the Acceptor of the commencement date, frequency and amount at least 10 calendar days before the first Direct Debit is drawn, (but not more than 2 calendar months). In the event of any subsequent change to the frequency or amount of the regular Direct Debits, the Initiator has agreed to give written notice at least 30 days before the change comes into effect.

Where the Direct Debit system is used for the collection of payments which are regular as to frequency, but variable as to amounts, the Initiator undertakes to provide the Acceptor with a schedule detailing each payment amount and each payment date.

- (b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me.

### 2 The Customer may:

- (a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.
- (b) Stop payment of any Direct Debit to be initiated under this Authority by the Initiator by giving written notice to the Bank prior to the Direct Debit being paid by the Bank.
- (c) Where a variation to the amount agreed between the Initiator and the Customer from time to time to be direct debited has been made without notice being given in terms of clause 1(a) above, request the Bank to reverse or alter any such Direct Debit initiated by the Initiator by debiting the amount of the reversal or alteration of a Direct Debit back to the Initiator through the Initiator's Bank provided such request is made not more than 120 days from the date when the Direct Debit was debited to my/our account.

### 3 The Customer acknowledges that:

- (a) This Authority will remain in full force and effect in respect of all Direct Debits made from my account in good faith notwithstanding my debt, bankruptcy or other revocation of this Authority until actual notice of such event is received by the Bank.
- (b) In any event this Authority is subject to any arrangement now or hereafter existing between me and the Bank in relation to my account.
- (c) Any dispute as to the correctness or validity of an amount debited to my account shall not be the concern of the Bank except insofar as the Direct Debit has not been paid in accordance with this Authority. Any other disputes lie between me and the Initiator.
- (d) The Bank accepts no responsibility or liability for the accuracy of information about payments on Bank Statements.
- (e) The Bank is not responsible for, or under any liability in respect of:
- any variations between notices given by the Initiator and the amounts of Direct Debits;
  - the Initiator's failure to give written advance notice correctly nor for the non-receipt or late receipt of notice by me for any reason whatsoever. In any such situation the dispute lies between me and the Initiator.
- (f) Notice given by the Initiator in terms of clause 1(a) to the debtor responsible for the payment shall be effective. Any communication necessary because the debtor responsible for the payments is a person other than me is a matter between me and the debtor concerned.

### 4 The Bank may:

- (a) In its absolute discretion conclusively determine the order of priority of payment by it of any monies pursuant to this or any other Authority, cheque or draft properly executed by me and given to or drawn on the Bank.
- (b) At any time terminate this Authority as to future payments by notice in writing to me.
- (c) Charge its current fees for this service in force from time to time.

## Information required by the Securities Act 1978

### What sort of investment is this?

The investments offered in this Investment Statement are units in the Milford Active Growth Fund, the Milford Trans-Tasman Fund, the Milford Balanced Fund and the Milford Income Fund (each a Fund and together the Funds), unit trusts under the Unit Trusts Act 1960.

A unit trust is an investment that enables unitholders to pool their funds with those of others. The interests of all unitholders are represented by units, which confer an equal interest in the Fund and are of equal value. Pooling resources can enable access to a wider variety of assets and provide greater diversity than unitholders may achieve on their own.

The value of units in the Funds fluctuates according to the changing value of the assets in which the Funds have invested in. It is intended that the Funds will be priced daily.

The Funds are managed under the Trust Deed for the Milford Unit Trusts dated 20 August 2007 (Trust Deed).

Trustees Executors Limited is the independent trustee of the Funds and oversees the management and administration of the Funds.

This Investment Statement is dated 1 October 2011 and is an investment statement for the purposes of the Securities Act 1978.

### Who is involved in providing it for me?

The manager of the Funds is Milford Funds Limited (Milford). Milford was incorporated in New Zealand under the Companies Act 1993 on 3 August 2007 to become the manager for the Funds and other funds which Milford may create in the future.

There are four Funds offered in this Investment Statement.

The Milford Active Growth Fund (Active Growth Fund), previously known as the Milford Aggressive Fund and the Milford Trans-Tasman Fund (Trans-Tasman Fund), previously known as the Milford Peak Fund were established in Auckland on 20 August 2007 under conditions of establishment forming part of the Trust Deed.

The Milford Income Fund (Income Fund) and the Milford Balanced Fund (Balanced Fund) were established in Auckland on 19 March 2010 under Deed of Establishment supplemental to the Trust Deed.

The investment policies, and more details about the four Funds are set out earlier in this Investment Statement. The investment policies may be amended by Milford from time to time with the Trustee's approval.

At the date of this Investment Statement, the Directors of Milford Funds Limited are:

- Richard John Somerville BCom, CA, ACIS  
Chairman and Director  
Wanaka
- Brian Arthur Gaynor BCom  
Director  
Auckland
- Graeme Richard Thomas BA, CFP, AFA  
Director  
Auckland
- Anthony Francis Quirk BCA (Hons), FSCAP, AFA  
Director  
Auckland

At the date of this Investment Statement Milford and its Directors can be contacted at:

**Milford Funds Limited**

Level 9, 70 Shortland Street  
PO Box 960, Shortland Street  
Auckland 1140  
Telephone: 0800 662 345 or 09 921 4700  
Facsimile: 09 921 4709  
Email: [info@milfordasset.com](mailto:info@milfordasset.com)

Milfords' Directors and their contact address may change from time to time. A list of current Directors and Milfords' current address can be obtained from Milford's website at [www.milfordasset.com](http://www.milfordasset.com). Milford Funds Limited is a wholly owned subsidiary of Milford Asset Management Limited, which is a well established investment management company that currently has over \$800 million under management, as at the date of this Investment Statement. Milford Asset Management invests individually managed accounts for high net worth individuals and also manages large wholesale investment portfolios. Milford Funds Limited was created in 2007 to enable investors with smaller sums to invest with Milford to gain the advantage of the investment expertise and vast experience of the Milford team. Neither the performance of Milford Funds Limited, nor that of the Funds, is guaranteed by Milford Asset Management or any other party.

**Trustee**

The independent trustee of the Funds is Trustees Executors Limited (Trustee).

At the date of this Investment Statement the Trustee can be contacted at:

**Trustees Executors Limited**

Level 12  
45 Queen Street  
PO Box 4197, Shortland Street  
AUCKLAND 1140  
Telephone: 09 308 7100  
Facsimile: 09 308 7101

The Trustee's address may change from time to time. The current address may be obtained at [www.trustees.co.nz](http://www.trustees.co.nz) under "contact us" under Corporate Trust Enquiries.

From 1 October 2011 the Trustee is required to be licenced under the Securities Trustees and Statutory Supervisors Act 2011.

**Custodian**

T.E.A. Custodians Limited (a wholly owned subsidiary of the Trustee) is the custodian of the Funds' assets.

**Registrar**

Trustees Executors Limited, through its Funds Services division, is the registrar of the Funds.

No person including Milford Funds Limited, Milford Asset Management Limited or the Trustee guarantees the repayment of units in the Funds or any returns on units.

## How much do I pay?

An investor determines the amount they invest subject to the minimum initial investment of \$10,000.

You can choose to make additional investments into a Fund on a regular or lump sum basis. Additional investments must be for a minimum of \$1,000 per annum. Milford may, at its discretion, vary these minimum amounts.

You may invest in New Zealand on any business day by completing the application form accompanying this Investment Statement and sending your original application, proof of identification and cheque or direct credit payment (as applicable) to the registrar.

Refer to page 12 for instructions on how to invest into the Fund.

You may choose to forward your application form, proof of identification, cheque or direct credit details (as applicable) to your financial adviser, who will then forward it to the registrar.

Units will generally be issued after receipt by or on behalf of Milford of a completed application form and accompanying cleared cheque/direct credit payment (as applicable).

Each unit is issued at the issue price. The issue price of a unit is determined by adding to the net asset value of a unit an amount calculated to reflect the cost of acquiring investments and other administrative costs relating to the issue of units. As at the date of this Investment Statement each Fund is valued each business day. The Trust Deed specifies how the net asset value, and gross asset value of the Funds are calculated. In defining the net asset value, no account is taken of the withdrawal value of units on issue.

Your application for investment in a Fund will only be accepted by Milford once the registrar confirms that your application monies have been received. Milford may decline an application in whole, or in part, without giving any reason.

Subject to the requirements of the Trust Deed Milford may vary investment minimums either generally or for selected investors, or may decline an application in whole or in part without giving any reason. Unless stated otherwise all amounts referred to in this Investment Statement are in New Zealand dollars.

## What are the charges?

### Entry fees

No entry fee is currently charged for investments in the Funds.

### Fund fees and expenses

Fees and expenses vary for each Fund.

#### *Active Growth, Trans-Tasman and Balanced Funds*

To cover management fees, Trustee fees and other expenses payable by the Fund, Milford will be paid 1.05% (including applicable GST) per annum of the gross asset value of the Fund (calculated in accordance with the Trust Deed and including the value of any debt held by the Fund).

#### *Income Fund*

To cover management fees, Trustee fees and other expenses payable by the Fund, Milford will be paid 0.65% (including applicable GST) per annum of the gross asset value of the Fund (calculated in accordance with the Trust Deed and including the value of any debt held by the Fund).

The fees and expenses payable in respect of the Funds are calculated daily at their respective rates per annum (including applicable GST) and paid monthly, and consist of the following:

- management fees payable to Milford for its services as manager of each Fund;
- trustee fees of up to 0.1% per annum of the gross asset value of each Fund (calculated in accordance with the Trust Deed) to cover fees payable to the Trustee for its services as Trustee of the Fund and custodial fees; and
- fund expenses, including, for example, amounts payable to Trustees Executors Limited for unit pricing, registry, custody and fund accounting services and to cover legal fees, valuation fees, audit fees, costs incurred by Milford in preparing and distributing cheques and statements, printing and stationery and any other normal costs incurred by Milford in operating each Fund.

### **The above expenses are all paid by Milford out of its respective per annum management fee.**

The amount paid to Milford to cover management fees, Trustee fees and other expenses payable from each Fund does not include any brokerage, performance fee or abnormal fees and costs. Additional fees and costs are those not incurred in the daily ongoing business of the Fund such as costs for any unforeseen matters or any special fee charged by the Trustee as may be agreed with Milford on a time, costs and disbursements basis for extraordinary matters.

**Performance fee**

In addition to the fees and expenses described above, Milford may be paid a performance fee from the Active Growth, Trans-Tasman or Income Funds in respect of any six-month period, intended at the date of this Investment Statement to be 31 March and 30 September in each year and within 10 business days of the end of such period (provided that this may be changed by agreement between Milford and the Trustee), in which both:

- the return of the relevant Fund (after fees but before the performance fee and tax) exceeds the Fund's respective investment target (or benchmark) for the same period; and
- the net asset value per unit (before the performance fee and before tax) exceeds each Fund's respective net asset value per unit used in the calculation of the last performance fee paid (a high water mark).

The performance fee is equal to 15% of the amount by which the performance of the Active Growth and the Trans-Tasman Funds, and 10% for the Income Fund, (after the deduction of the management fee but before tax) exceeds the Fund's respective investment target (or benchmark). The performance fee is calculated and accrued daily.

The high water marks for the Active Growth, Trans-Tasman and Income Funds can be reset every three years at Milford's discretion, after consultation with the Trustee.

**Switching fees**

At the date of this Investment Statement there is no switching fee payable by investors in respect of switching from one Fund to another Fund managed by Milford. Milford may set a switching fee in the future on giving three months notice to investors. Milford currently has no intention to introduce such a fee.

**Exit fees**

At the date of this Investment Statement there is no separate exit fee payable by unitholders for withdrawing from the Funds. However, the cost of acquiring or selling investments or the buying or selling of units may be taken into account in setting the unit price payable on investment and withdrawal.

Under the Trust Deed, Milford can introduce an exit fee in the future on giving three months written notice to unitholders. Milford currently has no intention to introduce such a fee.

**Goods and Services Tax**

All fees, including the management and performance fees paid to Milford and any performance fee, are on a GST inclusive basis unless otherwise stated.

**General**

Details of any management fees deducted from the Funds will be included in the Annual Financial statements for each Fund.

The Trustee and Milford may increase or impose new fees on giving written notice to unitholders and in accordance with the Trust Deed. There is no limit to the amount to which a fee can be amended. Milford currently has no intention to increase fees.

## What returns will I get?

Returns to unitholders are determined by changes in the value of the underlying assets of each Fund and reflected in movements in each Fund's unit price and any distributions to unitholders.

The total value of your investment at any time is the number of units you hold multiplied by the current unit price. When a unit is withdrawn the withdrawal price is the unit price less an amount calculated to reflect the cost of selling investments and other administrative costs relating to the issue of units, if any.

Investors should be aware that no return amounts have been promised or guaranteed for any of the Funds.

### Income distributions

*Active Growth, Trans-Tasman and Balanced Funds*

At the date of this Investment Statement it is not intended that the Active Growth, Trans-Tasman or Balanced Funds will make any distributions to investors. Instead income will be retained in these Funds.

Milford may make income distributions in the future at its discretion. Any income distribution that is paid in the future will be paid out or reinvested as requested by a unitholder within two months of the relevant distribution date. If income distributions are introduced for the Active Growth, Trans-Tasman and Balanced Funds they will be automatically reinvested in the relevant Fund unless a unitholder indicates otherwise on their initial application form.

*Income Fund*

It is intended that the Income Fund will make regular distributions. Distributions are expected to be made to unitholders quarterly in February, May, August and November.

If Milford decides to make distributions to unitholders by direct bank credit, Milford is entitled to deduct from the unitholder's entitlement postage, bank transaction charges and any other costs or expense in respect of the payment of distribution.

Unitholders may elect to reinvest their entitlements in additional units in a Fund by making a written request to Milford prior to the expiration of the relevant distribution period.

### Fixed additional withdrawal from the Income Fund

Unitholders can elect to receive an amount in addition to the distributions from the Income Fund.

If you elect to receive an amount in addition to the distributions from the Income Fund you can receive a regular payment from your investment, while sufficient capital remains to pay it. Payments can be requested in instalments, and at periods agreed with Milford (currently there is a minimum fixed additional withdrawal of \$200 and the maximum number of payments per year is 12).

Where the income of the Income Fund is insufficient to meet the additional payment amount Milford may withdraw a portion of the units held by you to meet the additional payment amount. This means that if you elect this payment option, over time your investment balance in the Income Fund may reduce.

**Withdrawal of units**

Withdrawal Requests will generally be processed, and units withdrawn, at the next unit price calculated after a correctly completed Withdrawal Request is received by Milford. It is currently intended that units will be priced each business day.

A Withdrawal Request must be for a minimum value of \$1,000 (unless the Withdrawal Request relates to all units held by a unitholder or it is a regular withdrawal from the Income Fund where the minimum regular withdrawal is \$200) and a unitholder will generally not be permitted to decrease their unit balance to less than \$10,000 (unless the withdrawal relates to all units held).

A withdrawal of units is not itself liable to tax. However, a withdrawal may give rise to a liability for tax on the underlying taxable income of a Fund (see the 'Taxation' section on page 24).

**Suspending withdrawals**

If a Withdrawal Request, or a series of Withdrawal Requests, in respect of a Fund are received within a period of 3 months that relate to more in total than 5% of the number of units on issue at the time of the request or the last request, and Milford considers it is in the general interests of all unitholders in a Fund to defer immediate withdrawal of the total units requested in accordance with the Trust Deed, Milford may defer immediate withdrawal of the total units requested and withdraw those units by instalments over a period determined by Milford or in total at the expiration of a period determined by Milford. There is no limit to the period Milford may determine.

Where such requests, within a 3 month period, relate to more than 10% of the number of units on issue at the time of request or last request, Milford may, on notifying the Trustee, suspend the right of unitholders in a Fund to make Withdrawal Requests.

Milford may also suspend Withdrawal Requests where it determines the withdrawal is not practicable, would or may be materially prejudicial to the general interest of unitholders in a Fund, or is not desirable for the protection of a Fund. A suspension period may last for up to 90 days or such longer period as agreed to by the Trustee. There is no limit to the period the Trustee may agree.

## Taxation

Returns to investors will be affected by tax laws. This section briefly summarises relevant taxation laws current at the date of this Investment Statement. It is intended as a general guide only and as investors have different personal situations their tax obligations will differ - they are encouraged to seek their own tax advice before investing.

The Milford Unit Trust Funds are Portfolio Investment Entities (**PIEs**) and multi-rate PIEs as defined in the Income Tax Act 2007. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to the Fund's investments must be allocated to unitholders in proportion to their daily unit holdings in the Funds, with tax payable at each unitholders prescribed investor tax rate.

Under the PIE tax legislation, each Fund will calculate and pay tax on the net income it allocates to unitholders at the following rates (referred to as the prescribed investor rate or **PIR**).

At the date of this Investment Statement a unitholder who is a New Zealand resident will either have a PIR of 10.5%, 17.5% or 28%. To qualify for a 10.5% or 17.5% PIR, an investor must be a New Zealand resident for tax purposes, must supply a valid IRD number and meet the following criteria in relation to either of the previous two tax years\*:

If the taxable income is	And taxable income plus PIE income of	Then the PIR that applies is
\$0 - \$14,000	\$0 - \$48,000	10.5%
\$0 - \$14,000	\$48,001 - \$70,000	17.5%
\$14,001 - \$48,000	\$0 - \$70,000	17.5%
\$48,001 and over	\$70,001 and over	28%

\* Tax years generally commence on 1 April in any year and end on 31 March in the following year.

Individual unitholders who do not qualify for a 10.5% or 17.5% PIR will have a PIR of 28%.

Other unitholders will have the following PIRs:

- 28% for all non-residents;
- 0% for all New Zealand residents that are not individuals, such as companies, unit trusts, and charities;
- New Zealand resident trustees (excluding unit trusts and charitable trusts) may elect a rate of 0%, 17.5% or 28%; and
- New Zealand resident trustees of testamentary trusts may elect a rate of 0%, 10.5%, 17.5% or 28%.

You must provide your IRD number, your applicable PIR and other details to Milford on your application. Each year Milford will request you to confirm your PIR.

The tax payable by the Milford Unit Trust Funds on the net income allocated to you for any given period will depend on the net income allocated to you for that period and your PIR (0%, 10.5%, 17.5% or 28%). The Unit Trusts will cancel Units to address the difference in prescribed investor rates between unitholders. If there are excess tax credits for a period, or the Unit Trust has a loss rather than net income for a period, the Unit Trust should receive a tax rebate and will be able to issue additional units to unitholders on account of that rebate.

Taxable income is attributed annually to 31 March or at any time you make a withdrawal from a Fund. If you make a full withdrawal or transfer from the Unit Trust, any tax liability on the Unit Trust's net income attributable to your investment will be deducted from the balance withdrawn or transferred. If you withdraw a portion of your investment during the year, this results in tax being attributed to you in proportion to the amount you have withdrawn. Switching investments between Funds will be treated as a withdrawal for tax purposes.

For individuals, if you have provided Milford with the correct PIR, the tax paid on income allocated to unitholders by the Unit Trust will be a final tax. You will not need to include the income allocated to you in a tax return. There will also be no impact on student loan repayment obligations or child support payment obligations. However, income from 'unlocked' PIE investments such as the Funds is included in the definition of family scheme income for social assistance programmes. You must notify Milford if your PIR changes or if you cease to be a New Zealand resident. If you don't, you will be personally liable to pay any resulting tax shortfall and must file a tax return.

If you have provided Milford with a PIR that is higher than your correct prescribed investor tax rate the IRD will not refund you the difference.

A trust investor with a 0%, 10.5% or 17.5% PIR must include the allocated income in its own tax return. If a trust has a 28% PIR, Milford will pay tax at the 28% rate and that is a final tax. The income does not need to be included in the trust's tax return.

Other non-individual investors (e.g. a company, charity or unit trust) with a PIR of 0% must account for tax on their allocated income in their own tax return.

The IRD can instruct Milford to apply a different PIR to the one notified by the investor.

Distributions to investors are not separately taxable, nor is there a tax liability on the withdrawal of units in the Fund, even where the investor receives an amount in excess of the original cost of the units (however a withdrawal potentially triggers an attribution of taxable income for the current year).

Generally, gains or losses made by any Milford Unit Trust Fund on the sale of shares in New Zealand resident companies or Australian resident listed companies (on an ASX approved index) will not be taxable or deductible. The Fund will pay tax on any dividends received from those shares.

Foreign equities (other than equities in Australian resident companies as noted above) will generally be taxed under the 'fair dividend rate' method – any Milford Unit Trust Fund will be taxed on 5% of the average daily market value of such offshore shares.

Foreign equities offering guaranteed or fixed rate returns will be taxed under the comparative value method (i.e. annual change in market value plus distributions).

Taxation legislation and rates of tax change. You should always seek independent professional tax advice on your own personal circumstances.

For more information on PIRs please refer to the IRD website: [www.ird.govt.nz](http://www.ird.govt.nz).

Investors should note that Milford and the Trustee have broad powers to act at their discretion to ensure that the Funds remain eligible to be a PIE. This includes, for example, the ability to refuse investment or to compulsorily withdraw all or part of a unitholder of a unitholder whose continued investment may prejudice a Fund's PIE eligibility.

#### **Who pays the returns?**

If units are withdrawn, Trustees Executors Limited, as Trustee of the Funds, is the person legally liable to pay any returns to the extent available in respect of the Funds.

No person including the Trustee or Milford guarantees the repayment of units in the Funds or any returns on units.

## What are my risks?

All investments carry some level of risk.

The main types of risks that unitholders face are that they may not receive the returns they expect, that the capital value of their investments may end up less than they originally invested, or that they may be unable to get back their money when they need it.

Because of the risks set out below, it is foreseeable that a unitholder may receive back less than they invest into a Fund. In any event, no unitholder will be required to pay more money than the amount they invest into a Fund.

- Returns on each Fund will be affected by the performance of the investments chosen for the Fund which may be affected by the performance of the investment markets generally. This risk related to market performance includes movements in the general price level, demand and supply in the market in which the relevant investments are made, the sectors in which the investments are made, and economic and regulatory conditions, including market sentiment, inflation, interest rates, employment, political events, environmental and technological issues, and consumer demand internationally and in New Zealand and Australia;
- as a portion of the underlying investments may be invested in Australia or other overseas jurisdictions, returns may be affected by movements between the Australian (or other currency) and New Zealand dollar, and overseas transactions may be unhedged;
- because Milford may use derivative instruments such as futures and options and is able to short-sell securities, the investment movements may be more volatile than if a Fund is invested solely in equities;
- returns may be affected by any adverse regulatory changes in both New Zealand and Australia, which could have an impact on investments;
- an investment of a Fund in a company may be affected by unexpected changes in that company's operations, business environment, or the company may become insolvent;
- some investments may not be easily converted into cash with little or no loss of capital and minimum delay, because of either inadequate market depth or disruptions in the market place. Securities of small companies in particular may, from time to time and especially in falling markets, become less liquid;
- a counter-party to a contract may fail to meet their obligations under it, causing loss to a Fund. This potentially arises with various securities including derivatives and fixed interest;
- the Trustee, on the direction of Milford, may, subject to the provisions of the Trust Deed, borrow up to 25% of the net asset value of a Fund if permitted by its conditions of establishment. Such borrowing may increase the volatility of the return that can be expected from that Fund;
- the ability of Milford to provide investment management services to each Fund is linked to key professionals whose departure could impact on the performance of each Fund. The performance of investments will depend on the quality of management of each Fund and its assets; and
- changes in taxation rates or tax rules may impact your investment returns. The taxation assumptions used in this Investment Statement are based on existing New Zealand tax legislation. Any changes to such legislation may materially impact the returns of a Fund. It is recommended that unitholders seek advice from a tax advisor before making an investment into a Fund.

### Consequences of insolvency

Unitholders have no liability to any person should a Fund or Milford become insolvent. In no event will unitholders have to pay any money in addition to the amount invested.

If a Fund is wound up, unitholders will receive a proportionate share of assets of the Fund after all creditors' expenses including, without limitation, the expenses of any agents, solicitors, auditors or persons employed in connection with the winding up of the Fund and any outstanding fees (including remuneration payable to Milford and the Trustee) have been paid. The claims of unitholders will rank equally.

## Can the investment be altered?

The Trust Deed can be altered by Milford and the Trustee in certain circumstances, including the following:

- If in the opinion of the Trustee, the same is made to correct a manifest error or is a formal or technical nature.
- If in the opinion of the Trustee, the same is necessary or desirable for the more convenient, economical or advantageous working, management or administration of a Trust or for safe guarding or enhancing the interests of a trust fund or unitholders and is not or not likely to become prejudicial to the interests of unitholders generally.
- If the same is authorised by an extraordinary resolution.
- If the same is authorised under the Trust Deed in relation to vary the definition of 'authorised investments'.
- If the same is required by or in consequence of any amendment or repeal and/or replacement of any Act or any other relevant legislation.
- If the same is required to enable the units of a Fund to be listed on an exchange.
- If the same is made to comply with or better provide for, or as a result of changes to legislation affecting the Fund.
- If the same is made to alter an investment policy.

The Trustee and Milford may vary the conditions of establishment for each Fund if Milford gives notice to unitholders in a form approved by the Trustee setting out the proposed variation in either:

- unitholders holding not less than 10% of the number of units on issue at the date of giving the notification, do not within 30 days of sending the notice give notice of the intention to call a meeting of unitholders regarding the proposed variation, or having given such notice that unitholders at such meeting do not reject, by extraordinary resolution the proposed variation; or
- unitholders who oppose the proposed variation are offered the opportunity to sell or withdraw all the units at the then current withdrawal price (without deduction of any exit fee) for the variation to take place.

Milford may alter investment minimums at any time and may accept amounts less than the required minimums and may determine that no further units will be issued at its direction. Milford, with the approval of the Trustee, may increase or impose new fees to those stated under the heading 'What are the charges?'. Three month's written notice must be given to unitholders before any fees are increased.

The investment policy, strategies and objectives of each Fund are current as at the date of this Investment Statement and can be varied by Milford, in accordance with the Trust Deed by agreement with the Trustee.

Payment of withdrawal requests may be suspended or deferred. Details of when this may occur are provided under the heading 'What returns will I get?'.

Milford may resolve to wind up a Fund. In this instance, all assets of the Fund will be realised, and after the deduction of liabilities permitted in the Trust Deed, each unitholder will be paid out their share of the Fund proportionate to their unit holding.

Subject to the Trust Deed, a majority unitholder (holding 90% or more of the units in the Fund) may notify a minority unitholder (holding 10% or less of the units in the Fund) that the majority unitholder has the right and intends to purchase or acquire the units of the minority unitholder. The purchase price of the units will be the current price on the date of purchase specified in the notice to the minority unitholder.

## How do I cash in my investment?

Unitholders may withdraw all or part of their investment in a Fund at any time by delivering a notice in writing to Milford to that effect (Withdrawal Request).

A Withdrawal Request must be for a minimum amount of \$1,000 (other than the Income Fund where the minimum regular withdrawal amount is \$200) and no units will be withdrawn if the effect of the withdrawal would be that the unitholder concerned would hold less than \$10,000 worth of units, unless the withdrawal is to be made in respect of all the units held by the unitholder concerned.

Units will generally be withdrawn at the unit selling price, determined after receipt by or on behalf of Milford of a Withdrawal Request. While it is intended that withdrawals will be processed at the next available unit selling price after the request has been received, the Trustee may require up to 10 days notice of withdrawal. The unit selling price is calculated by dividing the net asset value of a Fund by the number of units on issue, and deducting any amount determined by Milford (in its absolute discretion) on account of the estimated costs which would be incurred if investments of the Fund sufficient to repay the withdrawal price were realised.

A withdrawal of units is not itself liable to tax. However, a withdrawal may give rise to a liability for tax on the underlying taxable income of a Fund (see the 'Taxation' section on page 24 for further information).

Milford may in certain circumstances suspend payment of withdrawal Requests - see 'Withdrawals of Units' in the 'What returns will I get?' section.

A Withdrawal Request must be made in writing and is irrevocable once given. Repayment will be made by electronic funds transfer directly into your nominated bank account.

Investors in the Income Fund can also request a fixed withdrawal amount - see page 22 for more information.

At the date of this Investment Statement there is no exit fee payable by unitholders for withdrawing from a Fund. See 'What are the charges?' on page 20 for more information.

Milford may, on 30 days written notice, compulsorily withdraw your units if your balance falls below the minimum investment amount for a Fund (\$10,000) and pay the proceeds to your nominated bank account. The clearance period for a direct credit is five business days.

### Right to sell units

Subject to the minimum investment amounts, unitholders may sell and transfer all or any of the units held by them. The instrument of transfer must be in writing in any usual or common form which Milford approves and be signed by both the transferor and transferee.

In the opinion of Milford there is no established market for such sales. Milford can decline to register a transfer if the conditions for withdrawal detailed above are not met.

Milford may suspend the registration of any transfers at such times and for such periods as Milford may from time to time determine (but not exceeding 30 days in aggregate in each year).

### Termination of the Fund

The Funds will terminate upon whichever is the earlier of:

- The date of termination (if any) notified by Milford to the Trustee and to each unitholder of a Fund, being a date not earlier than three months after the date of such notice;
- If an extraordinary resolution is passed by unitholders resolving to terminate a Fund; or
- The expiration of a period of 80 years, less two days, from the date of the Trust Deed.

## Who do I contact with inquiries about my investment?

If you have any inquiries about the Funds, please write to Milford:

Milford Funds Limited  
Level 9, 70 Shortland Street  
PO Box 960, Shortland Street  
Auckland 1140

Telephone: 09 921 4700 or 0800 662 345  
Facsimile: 09 921 4709  
Email: [info@milfordasset.com](mailto:info@milfordasset.com)

## Is there anyone to whom I can complain if I have problems with the investment?

In the first instance, please direct any complaints about your investment to Milford at:

Milford Funds Limited  
Level 9, 70 Shortland Street  
PO Box 960, Shortland Street  
Auckland 1140

Telephone: 09 921 4700 or 0800 662 345  
Facsimile: 09 921 4709  
Email: [info@milfordasset.com](mailto:info@milfordasset.com)

If Milford is unable to resolve your complaint, you may choose to contact the Trustee at:

Trustees Executors Limited  
Level 12, 45 Queen Street  
PO Box 4197, Shortland Street  
Auckland 1140

Telephone: 09 308 7100  
Facsimile: 09 308 7101

Milford is a member of the Insurance and Savings Ombudsman Scheme (ISO) and the Trustee is a member of Financial Services Complaints Limited (FSCL) both of which are independent dispute resolution schemes approved by the Ministry of Consumer Affairs. If you have made a complaint to Milford and the complaint cannot be resolved then you may refer it to the ISO subject to certain conditions being met.

Office of ISO  
PO Box 10-845  
Wellington 6143

Telephone: +64 (04) 499 7612  
Facsimile: 0800 888 202

Further information about referring a complaint to the ISO can be found [www.iombudsman.org.nz](http://www.iombudsman.org.nz)

If you have made a complaint to the Trustee, and it has not been resolved within 40 days or if you are dissatisfied with the proposed resolution, you can refer it to FSCL at:

13th Floor, 45 Johnston Street, Wellington  
PO Box 5967, Lambton Quay  
Wellington 6145

Telephone: +64 (04) 472FSCL (472 3725)  
Facsimile: 0800 347 257

Further information about referring a complaint to FSCL can be found at [www.fscl.org.nz](http://www.fscl.org.nz)

Note that different procedures apply when making a complaint to the ISO and FSCL. Full details can be obtained at their respective websites.

## What other information can I obtain about this investment?

Further information about the Funds, Milford, and the Trustee is contained in the Trust Deed, the registered prospectus, and the financial statements of the Funds. These documents will be available for inspection, without fee during normal business hours, at:

Milford Funds Limited  
Level 9, 70 Shortland Street  
PO Box 960, Shortland Street  
Auckland 1140

Telephone: 09 921 4700 or 0800 662 345  
Facsimile: 09 921 4709  
Email: [info@milfordasset.com](mailto:info@milfordasset.com)  
Website: [www.milfordasset.com](http://www.milfordasset.com)

You can also obtain copies of the prospectus and the most recent financial statements of the Funds free of charge on request in writing, or by telephone, to Milford.

The Trust Deed, prospectus, financial statements of Milford and the Funds and other documents of, or relating to the Funds, are filed (in accordance with the statutory requirements as to timeframes) on the public register at the Companies Office.

Copies of certain documents may be viewed (if available) on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) under Milford's file reference and for each Fund under 'search other register/unit trusts' under each Fund's name.

### Additional information

Milford will also provide to unit holders any other material they are entitled to receive by law and may also provide additional material, such as market performance updates.

## Glossary

**Bonds** are fixed interest securities issued by a borrower for which the investor usually gets a regular interest payment and an expected return of capital.

**Cash** is funds on call at a registered bank or short term bank deposits (generally less than seven days).

**Derivatives** include currency exchange contracts, interest rate swaps, warrants, sharemarket index futures, commodity futures, share options and similar financial instruments.

**Equities** is another name for shares in companies.

**Funds** means the Milford Active Growth Fund (previously known as the Aggressive Fund), the Milford Trans-Tasman Fund (previously known as the Peak Fund), the Milford Income Fund and the Milford Balanced Fund, unit trusts established under the Trust Deed.

**GST** means goods and services tax.

**Investment Committee** means the Milford Investment Committee set out on page 3.

**NZX** means New Zealand Exchange Limited.

**PIE** is the Portfolio Investment Entity, it has the meaning given to that term under the Income Tax Act 2007.

**PIR** is the Prescribed Investor Rate (see the 'Taxation' Section page 24 for more details).

**Short Selling** means selling securities before they are purchased, intending that the price falls.

**Trust Deed** means the Trust Deed for the Funds created by the deed dated 20 August 2007.

**Directory****Manager**

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Email: [info@milfordasset.com](mailto:info@milfordasset.com)  
Website: [www.milfordasset.com](http://www.milfordasset.com)

**Directors of Milford Funds Limited**

Richard John Somerville  
Brian Arthur Gaynor  
Graeme Richard Thomas  
Anthony Francis Quirk

**Trustee**

Trustees Executors Limited  
Level 12  
45 Queen Street  
PO Box 4197 Shortland Street  
Auckland 1140

**Custodian**

T.E.A. Custodians Limited  
Level 5  
10 Customhouse Quay  
PO Box 409  
Wellington 6140

**Registrar**

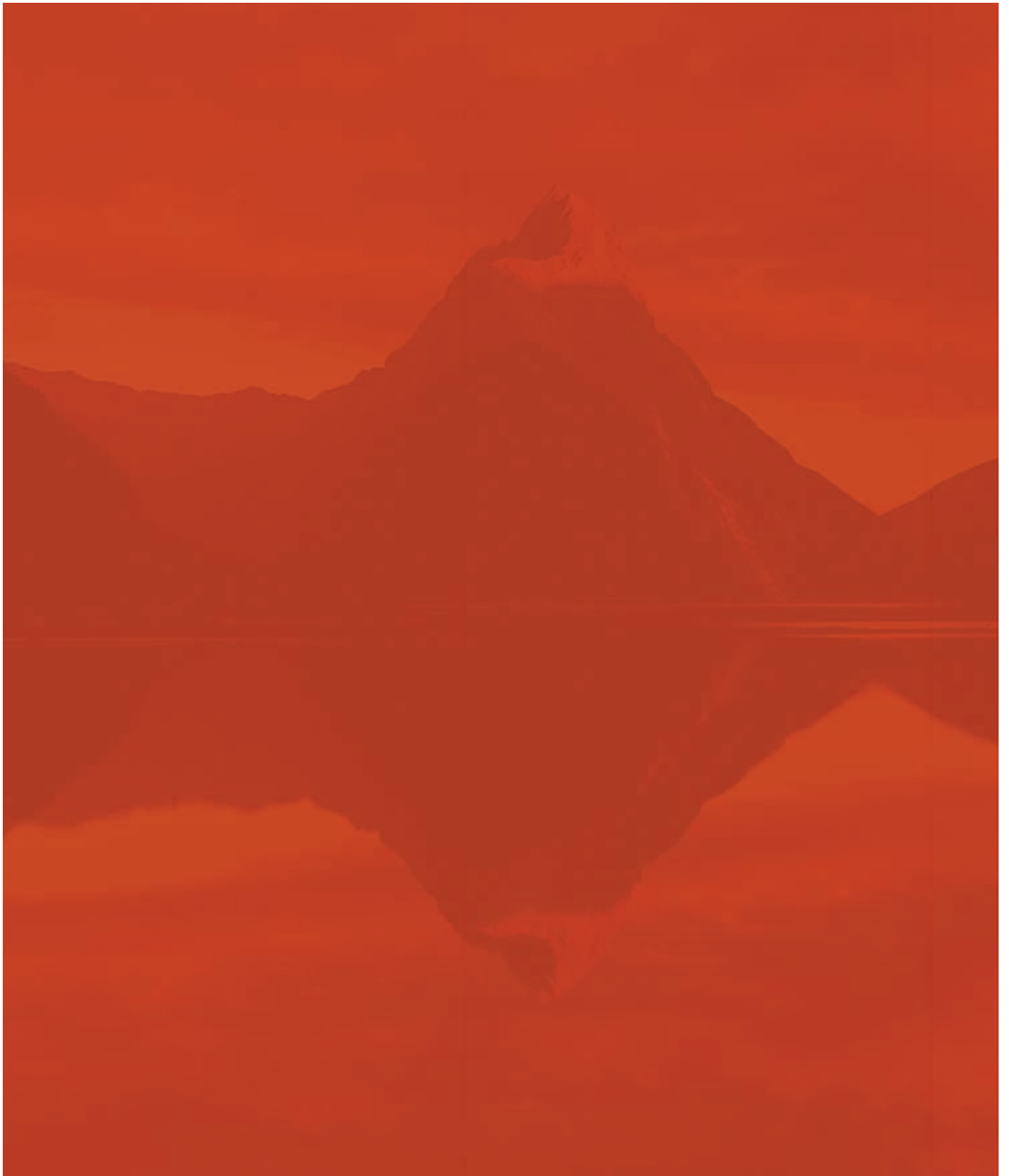
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**Auditor**

PricewaterhouseCoopers  
188 Quay Street  
Private Bag 92162  
Auckland 1142

**Solicitor**

DLA Phillips Fox  
50-64 Customhouse Quay  
PO Box 2791  
Wellington 6140



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