

# Investment Options

Each of the following Investment Options has a different mix of growth (shares and property) and income (fixed interest and cash) assets. The more growth assets there are in an Investment Option, the greater the likely volatility of earnings, i.e. the variability of investment returns.

## Default Option

The Default Investment Option will be selected by the Manager from time to time. The default option is currently a mix of the Russell LifePoints® Conservative Fund (50%) and the Milford Fund (50%). This mix may change at a future date. If there is a change to the Default Investment Option and your Member's Account is invested in this option then future contributions for you will be invested in the new Default Investment Option.

## Milford Asset Management

MilfordFundsLimited



The Milford Fund Investment Option is managed by Milford Funds Limited, a 100% owned subsidiary of Milford Asset Management, which is a well established investment management company that currently has more than \$550 million under management.

Milford Asset Management also manages individually managed accounts for high net worth individuals and for organisations such as The Guardians of New Zealand Superannuation. Milford Funds Limited was created to help enable KiwiSaver members to invest with them and gain the advantage of the investment expertise and vast experience of the Milford team, who have a combined experience of over 100 years in the New Zealand financial services industry.

### 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 Milford's unique approach are:

- active portfolio management; they 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 their investments

Milford believes that its approach and philosophy will consistently generate superior positive results for its clients.

### Investment Process

Milford's investment selection process aims to identify Australasian 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. It places significant

importance on meeting companies and has 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

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

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

Brian Gaynor is the Portfolio Manager responsible for making the investment decisions for this Investment Option.

### Portfolio Construction

The portfolio construction process will result in a group of investments for the Milford Fund Investment Option, which will not be influenced by an index composition.

The Fund is expected to display more volatility of investment returns than an income-oriented fund but also is expected to display better capital growth over the longer-term.

The Fund is a actively managed investment portfolio which consists of shares in New Zealand and Australian listed companies as well as potentially some unlisted New Zealand companies, unit trusts, bonds and cash. It focuses on companies that Milford believes are in attractive industries, have a strong competitive position and excellent management and board.