

Milford Asset Management

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 \$260 million under management.

Milford Asset Management focuses on individually managed accounts for high net worth individuals and also manages large wholesale investment portfolios. 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 Philosophy

Milford adopts a fundamental research-driven investment approach. This philosophy places a strong emphasis on industry and company analysis, company visits and a long-term investment horizon. In addition to expected future corporate financial performance, particular importance is placed on:

- The quality of directors and management of the company
- Positive industry/sector dynamics
- A strong competitive position
- The scalability of the business model and/or ability to expand globally, and
- Its adherence to corporate governance practices acceptable to Milford

Investment Process

The Milford Investment Committee is ultimately responsible for determining the composition of the portfolio. Brian Gaynor and the Milford Investment Team prepare company and industry reports and present these to the Investment Committee. The Milford Investment Team participates in company visits, presentations and meetings each year as do other members of the Milford

MilfordFundsLimited



Investment Committee. Milford also research unlisted entities that are planning to list and have the potential to create substantial shareholder wealth.

Brian Gaynor makes the investment decisions for this Fund.

Portfolio Construction

The portfolio construction process will result in a very concentrated group of investments for the Milford Fund Investment Option, which will not be influenced by an index composition. Milford anticipates that the portfolio will usually contain between 10 and 20 shareholdings.

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, concentrated investment portfolio which will consist of predominantly New Zealand listed companies as well as potentially some listed Australian and unlisted New Zealand companies, unit trusts and cash. It focuses on companies that Milford believes are in attractive industries, have a strong competitive position and excellent management and board.



Milford Asset has been awarded the Morningstar Emerging Fund Manager of the Year 2008.

According to Morningstar, "Milford has established its credentials and has shown sound potential to build a successful long-term track record through its performance and investment management capabilities."



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The investment option for Milford Funds Limited is listed below.

MILFORD FUND	Recommended Investment Timeframe: At Least 5 Years	Strategic Asset Allocation:	
Investment Objective: To provide exposure primarily to New Zealand companies that are expected to produce strong capital gains over the longer-term and outperform a return target of 10% per annum (after management fees) over a minimum five year investment period.	Risks: Returns from the Milford Fund may be volatile because of the high allocation of shares. Negative returns may be expected if share markets fall over any given period. However, it is expected that higher returns will be earned over the long term to compensate and reward investors.	Growth Investments: 100%	Income Investments: 0%
		Australasian Shares 100%	
		The Fund may borrow up to 25% of the value of the Fund, can use derivatives and short sell securities.	

Milford also charges a performance fee equal to 15% of the amount that the return of the fund (the change in gross value of the fund over the period, calculated in accordance with the Trust Deed of the fees and expenses but before any performance fee and tax) exceeds 10% per annum (the benchmark) for the same period.