

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2019



## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

The Fund generated a modest 0.3% return in December, capping off a strong year (+14.1%). Returns were mixed this month across key asset classes with gains in NZ shares and global high yield bonds offset by declines in Australasian bonds and Australian shares.

Performance highlights in the share portfolio this month included NZ retirement companies Arvida (+19.7%) and Summerset (+15.6%), which rose following a foreign takeover bid for listed peer Metlifecare. Meridian Energy (+6.2%) and Charter Hall Group (+4.2%) were also higher with both benefiting from strong earnings momentum. On the negative side, Goodman Group (-8.8%) and Charter Hall Social Infrastructure REIT (-5.2%) were lower amidst a weak month for the Australian listed property sector.

In fixed income, our holdings of European and particularly UK bank capital securities performed well this month as the conclusive UK election result brought greater certainty on Brexit and broader economic policy. Finally, the Fund also benefited modestly from a tactically higher exposure to the strong NZ dollar.

In portfolio activity, the Fund made five new investments in the US utility (water) and railroad sectors, supported by research by Dan Simmonds who has deep experience in these areas ([see his bio here](#)). These positions are modest in size at present with combined exposure at 1.6% of the Fund. Over time, we expect the Fund's exposure to international real estate, utility and infrastructure shares to grow to 5-10% of the Fund. As always, we will be actively managing these positions and focussed on finding opportunities where they appear attractive relative to the risks, and relative to opportunities in other sectors where the Fund invests.

To view Milford's January 2020 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

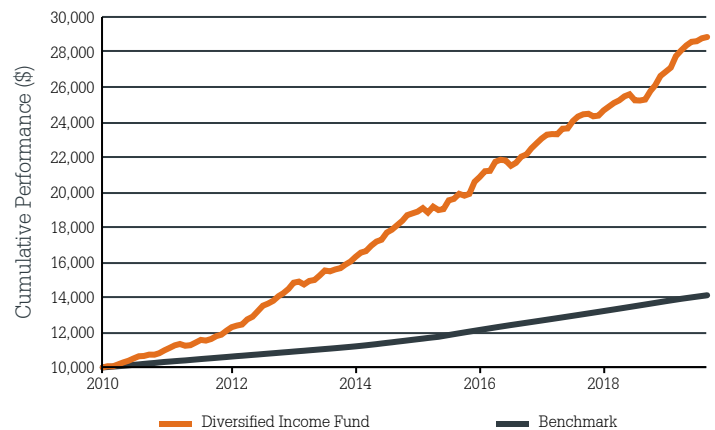
## External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 17-04-2019

## Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date, and assumes reinvestment of distribution.

## Key Fund Facts

<b>Objective<sup>1</sup></b>	Income and capital growth over a minimum of three years
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,456.5 M
<b>Yield<sup>2</sup></b>	3.24%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	1.02 years
<b>Buy-sell Spread</b>	None
<b>Inception Date</b>	1 April 2010
<b>Current Distribution</b>	1.1 cents per unit (Quarterly)
<b>Benchmark</b>	OCR + 2.5% p.a.
<b>Base Fund Fee<sup>3</sup></b>	0.65%
<b>Performance Fee</b>	10% of the Fund's returns above the Benchmark <sup>1</sup> , subject to the high watermark.
<b>Total Fund Fees<sup>4</sup></b>	0.95% (includes an est. performance fee)
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;">Lower risk</div> <div style="text-align: center;"> </div> <div style="text-align: right;">Higher risk</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

## Investment Performance after fees as at 31 December 2019<sup>5</sup>

Unit Price: \$1.8238

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Diversified Income Fund (Gross Of Tax)	0.25%	0.96%	14.11%	9.43%	9.76%	11.48%
After Tax 10.50%	0.18%	0.80%	13.39%	8.85%	9.10%	10.72%
After Tax 17.50%	0.13%	0.69%	12.90%	8.47%	8.66%	10.21%
After Tax 28.00%	0.06%	0.52%	12.18%	7.90%	8.01%	9.48%
Benchmark	0.29%	0.87%	3.88%	4.13%	4.24%	3.60%

### Top Equity Holdings

Holdings	% of Fund's NAV
Spark New Zealand	2.29%
Contact Energy	1.63%
Transurban Group	1.56%
Mirvac Group	1.37%
Charter Hall Education Trust	1.13%
Aventus Retail Property	1.02%
Kiwi Property Group	1.02%
Arena REIT	0.97%
Precinct Properties NZ	0.92%
Charter Hall Long Wale REIT	0.91%

### Current Asset Allocation

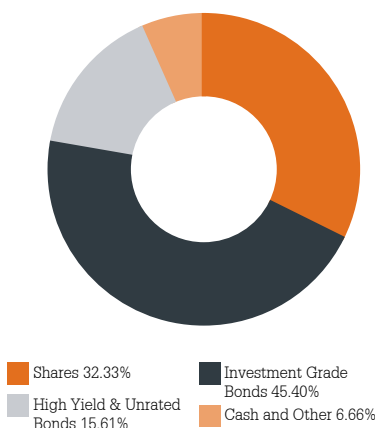
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	4.17%	5.00%
New Zealand Fixed Interest	13.40%	15.00%
International Fixed Interest	47.61%	40.00%
New Zealand Equities	8.46%	13.00%
Australian Equities	6.08%	12.00%
International Equities	3.16%	0%
Listed Property	14.63%	15.00%
Other	2.49%	0%

### Top Fixed Interest Holdings

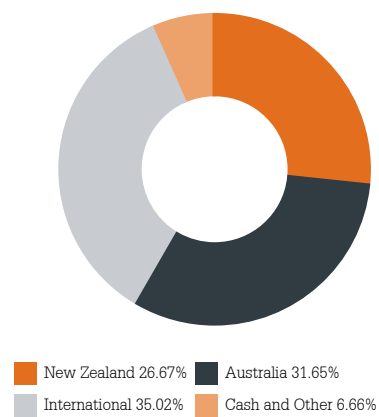
Holdings	% of Fund's NAV
OBE 6.75% 2044	1.48%
Bank of America 3.458% 2025	1.04%
JPMorgan 1.09% 2027	1.03%
Mirvac Group 3.625% 2027	0.99%
Lendlease 4.5% 2026	0.90%
ASB Bank 5.25% 2026	0.88%
Rabobank 4.625% 2025	0.86%
Westpac 4.695% 2026	0.86%
JPMorgan 5.15% 2023	0.85%
Westpac 2.22% 2024	0.83%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

### Fund Portfolio Mix



### Region Exposure



1. After the base fund fee but before tax and before the performance fee. 2. Yield to maturity (before tax and fees) for underlying investments in the Fund. 3. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 4. The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. 5. Includes the reinvestment of distributions. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

Level 28, 48 Shortland Street, Auckland  
PO Box 960, Shortland Street, Auckland 1140  
Free phone 0800 662 345  
[milfordasset.com](http://milfordasset.com)

