

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2022



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

After a few months of positive returns, May saw the Fund on the back foot as it posted a negative return of -1.7%.

Many of the Fund's bonds were weaker, most notably in Australian Dollars and Euros where market interest rates rose post the respective central banks indicating coming rate increases. Performance across the Fund's shares was disparate. There were some strong performers, including rising rate beneficiaries such as offshore banks which partially recovered from recent recession scare weakness (e.g. UK Barclays Bank +14.1%) and Shell PLC, a recent addition to the Fund and UK energy transition beneficiary, which rose 10.3% in May. Unfortunately, there was notable weakness across the Fund's property company holdings. Industrial property companies such as US based Prologis and Australian based global property manager Goodman Group were two of the weakest on fears that tenant demand may be waning as Amazon disclosed it had spare warehouse capacity.

Fund positioning remains cautious. Share exposure within the Fund remains significantly lower than its long run neutral. Broad equity market valuations appear to have adjusted to higher interest rates but may need to fall further to acknowledge ongoing higher economic and earnings uncertainty. We do however continue to add opportunistically to shares where valuations and future returns are attractive. In May we bought European telecommunications tower company Cellnex which has defensive inflation-linked earnings.

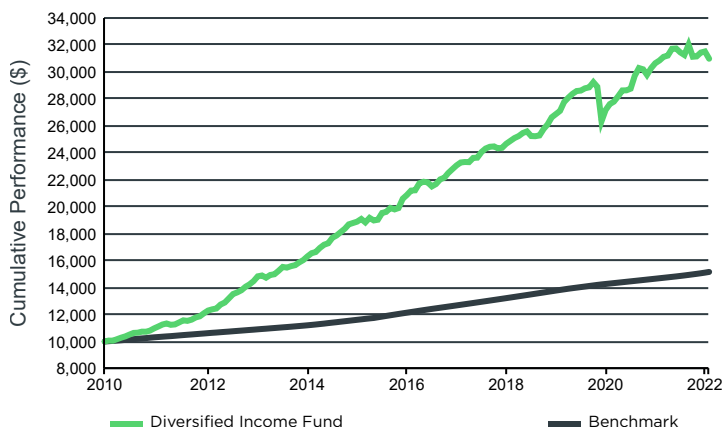
In recent weeks we have also been adding more corporate debt where potential returns are increasingly attractive, many in high single digit implied returns to maturity. Prevailing market interest rates may be approaching long run fair value, but we are still wary risks remain skewed for rates to move higher if inflation is more persistent. To mitigate this risk, we have focused our buying in shorter dated bonds where the impact of higher market interest rates is lower. An example was participation in the loan financing of the 2degrees merger with Orcon.

Looking ahead, near term Fund returns are likely to remain somewhat volatile but we reiterate that over the medium term the Fund is well placed to deliver moderate returns in line with its objective, underpinned by now higher and closer to fair value market interest rates.

To view Milford's June 2022 Market and Economic Review please see milfordasset.com/fact-sheet.

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

Objective¹ To provide income and capital growth over the minimum recommended investment timeframe

Description Diversified fund that primarily invests in fixed interest and equity income-generating securities

Minimum recommended investment timeframe	4 years +
Target Allocation	60% Income Assets / 40% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$2,772.4 M
Yield²	4.96%
Average Credit Rating	BBB-
Duration	1.07 years
Buy-sell Spread	None - swing pricing applies (See PDS for details)
Inception Date	1 April 2010
Current Distribution	1.1 cents per unit (Quarterly)
Benchmark	OCR + 2.5% p.a.
Base Fund Fee³	0.65%
Performance Fee	10% of the Fund's returns above the Benchmark ¹ , subject to the high watermark.
Total Fund Fees⁴	0.85% (includes an est. performance fee)

	Lower risk						Higher risk
Risk Indicator	1	2	3	4	5	6	7
	Potentially lower returns				Potentially higher returns		

External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 07-07-2020



Diversified Income Fund as at 31 May 2022

Investment Performance after fees as at 31 May 2022⁵

Unit Price: \$1.8358

	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)	-1.71%	-0.55%	0.42%	4.54%	5.88%	9.74%
After Tax 10.50%	-1.69%	-0.49%	0.59%	4.26%	5.52%	9.09%
After Tax 17.50%	-1.68%	-0.45%	0.70%	4.06%	5.28%	8.67%
After Tax 28.00%	-1.66%	-0.39%	0.87%	3.78%	4.91%	8.04%
Benchmark	0.34%	0.94%	3.18%	3.12%	3.57%	3.48%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.01%
Getlink	1.50%
Goodman	1.38%
Telstra	1.35%
Spark	1.18%
Origin Energy	1.14%
NAB	1.13%
Cheniere Energy	1.13%
Santos	1.12%
Charter Hall Retail	1.08%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	21.76%	5.0%
New Zealand Fixed Interest	9.69%	10.0%
International Fixed Interest	41.51%	45.0%
New Zealand Equities	5.97%	6.5%
Australian Equities	6.91%	10.0%
International Equities	3.51%	5.0%
Listed Property	10.65%	18.5%
Other	0.00%	0.0%

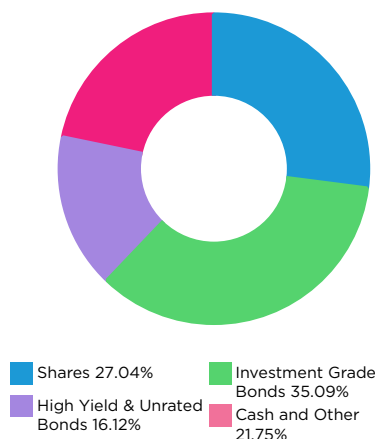
The actual cash held by the Fund is 5.42%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

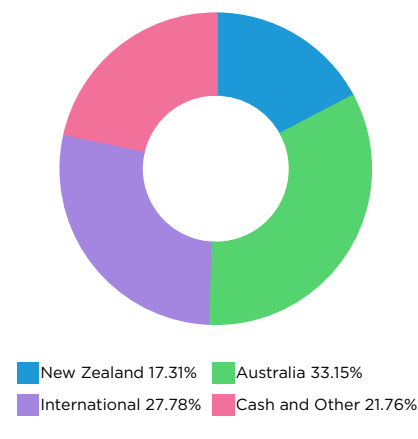
Holdings	% of Fund
NZGBI 2% 2025	3.27%
NextEra Energy	1.01%
Scentre Group 5.125% 2080	0.92%
Deutsche Bank 4% 2032	0.90%
NAB 2.9% 2027	0.87%
CBA Float 2031	0.86%
NatWest 5.125% Perpetual	0.82%
GAIF 2.584% 2027	0.77%
Voyage Float 2029	0.73%
Westpac 3.696% 2027	0.72%

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 for more information about the data published within this document.

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