

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 June 2022



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

Elevated volatility persisted into June as markets grapple with the risk of slowing economic growth in a backdrop of high inflation and tightening monetary policy. Bond markets were weaker as market interest rates rose, albeit rates closed considerably below mid-month highs. Corporate bonds, the Fund's predominant bond exposure, underperformed government bonds on concern of a deteriorating earnings outlook. This outlook also weighed on shares, which were already weak due to higher interest rates. Weakness was notable in traditional income shares (including Australian and global property, global infrastructure). The Fund was cautiously positioned, with significantly more cash than normal, but these headwinds translated to a negative return of 2.9% in June.

Going into July, Fund positioning remains cautious. Share exposure is significantly lower than its long run neutral. We previously noted share market valuations may have adjusted to higher interest rates but could fall further to acknowledge ongoing higher economic and earnings uncertainty. Until we get better clarity on this outlook, potentially through upcoming company reporting, the bar for adding more shares is high. That said, we remain open to the fact that opportunities at a company level will appear. In June this included attractively priced convertible preference shares in NextEra the US electricity utility which has a significant renewable energy business.

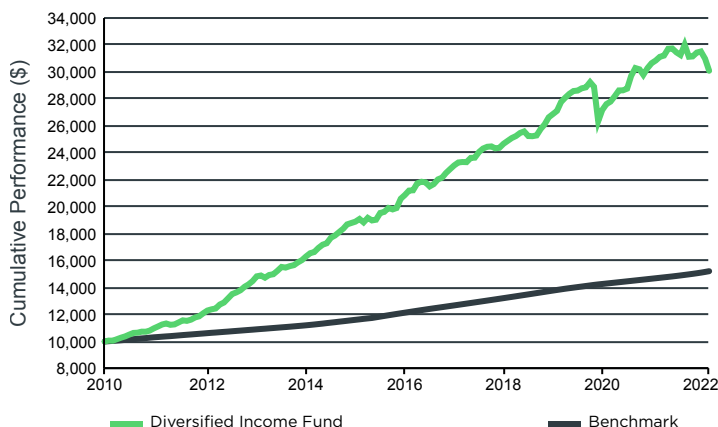
Over the past couple of months, we have selectively added to corporate bonds we believe offer a risk/return more attractive than shares; many with low double digit implied returns to maturity. We stress this selectivity, however given (i) market interest rates may be approaching long run fair value, but risks remain skewed for higher rates if inflation is more persistent and (ii) if recession risks increase then corporate bonds could further underperform government bonds. To help mitigate the risk we focus on shorter-dated bonds where the impact of higher market interest rates is lower. Examples this month included Virgin Money (UK bank) and Genesis Energy bonds.

Looking ahead, higher market interest rates and reduced corporate bond and share valuations should benefit medium term returns. The caveat is that near term volatility is likely to remain elevated. Ongoing cautious positioning therefore remains appropriate, remaining patient for more confidence in the outlook before adding more risk.

To view Milford's July 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)	\$2,672.1 M
Yield²	5.62%
Average Credit Rating	BBB
Duration	1.19 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 30 June 2022

Investment Performance after fees as at 30 June 2022⁵

Unit Price: \$1.7827

	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)	-2.88%	-4.30%	-3.32%	2.71%	5.23%	9.41%
After Tax 10.50%	-2.82%	-4.20%	-3.11%	2.47%	4.89%	8.78%
After Tax 17.50%	-2.77%	-4.13%	-2.97%	2.32%	4.67%	8.36%
After Tax 28.00%	-2.71%	-4.03%	-2.75%	2.08%	4.33%	7.74%
Benchmark	0.36%	1.02%	3.33%	3.14%	3.57%	3.49%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.00%
Getlink	1.61%
Goodman	1.47%
Cheniere Energy	1.25%
Telstra	1.20%
Spark	1.13%
Transurban	1.06%
Santos	1.04%
NAB	1.03%
Charter Hall Retail	0.99%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	27.24%	5.0%
New Zealand Fixed Interest	9.95%	10.0%
International Fixed Interest	40.37%	45.0%
New Zealand Equities	5.60%	6.5%
Australian Equities	5.35%	10.0%
International Equities	1.61%	5.0%
Listed Property	9.88%	18.5%
Other	0.00%	0.0%

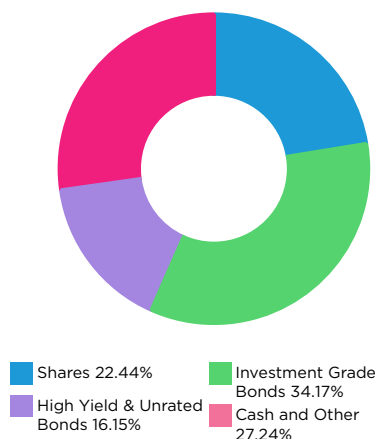
The actual cash held by the Fund is 6.88%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

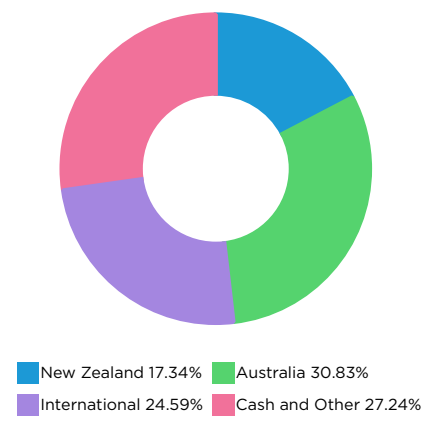
Holdings	% of Fund
NZGBI 2% 2025	3.37%
NextEra Energy	1.16%
Scentre Group 5.125% 2080	0.92%
Deutsche Bank 4% 2032	0.92%
CBA Float 2031	0.89%
Macquarie 6.082% 2032	0.84%
Voyage Float 2029	0.80%
NatWest 5.125% Perpetual	0.79%
GAIF 2.584% 2027	0.78%
Westpac 3.696% 2027	0.76%

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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