

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 April 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund gained 3.2% in April, as markets rebounded, and is now showing a small positive return for the past year. Markets were strong across most asset classes, especially shares and corporate bonds. The Fund was very active in changing positioning this month, as was the case in February and March, activity was well above normal levels.

In April this was across three key areas. Firstly, we further reduced the Fund's holdings of select high-yield corporate bonds where we see current return as poor relative to risk. Secondly, the Fund invested in several capital raisings both in bonds and equities. These provide an attractive source of returns given they are typically priced attractively relative to other investments (in uncertain times companies need to offer more generous discounts to raise capital). Finally, as the outlook for the virus improved somewhat, and the depth of policy support increased, the Fund increased its investment exposure. This was through offshore derivative markets -specifically in corporate bonds and US / Australian equity futures, where the Fund reversed (and hence locked in gains from) protection strategies that were deployed in February and early March. Together, these led to an increase in the Fund's share exposure this month to 22%, from 12%, while cash was relatively stable, now at 16%.

Looking ahead, despite the improved news on the virus, this remains a highly uncertain time for economies and markets. Given this we have been surprised how strongly some shares have recovered in April, leading to more stretched valuations in some cases. Our strategy remains cautious.

To view Milford's May 2020 Market and Economic Review please see milfordasset.com/fact-sheet.

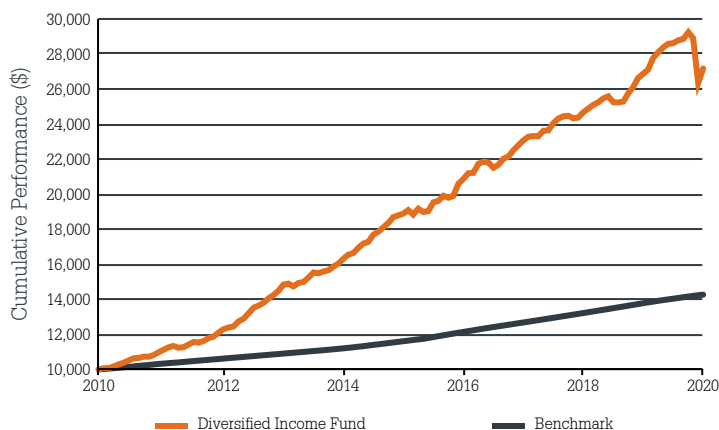
External Ratings



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

| | |
|-------------------------------------|--|
| Objective ¹ | Income and capital growth over a minimum of three years |
| Description | Diversified fund that primarily invests in fixed interest and equity income-generating securities |
| Target Allocation | 60% Income Assets / 40% Growth Assets |
| Neutral FX Exposure | 0% |
| Net Asset Value (NAV) | \$2,172.5 M |
| Yield ² | 2.65% |
| Average Credit Rating | A- |
| Duration | 1.5 years |
| Buy-sell Spread | None |
| Inception Date | 1 April 2010 |
| Current Distribution | 1.1 cents per unit (Quarterly) |
| Benchmark | OCR + 2.5% p.a. |
| Base Fund Fee ³ | 0.65% |
| Performance Fee | 10% of the Fund's returns above the Benchmark ¹ , subject to the high watermark. |
| Total Fund Fees ⁴ | 0.95% (includes an est. performance fee) |
| Risk Indicator | <div style="display: flex; justify-content: space-between; align-items: center;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center; margin: 5px 0;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; align-items: center;"> Potentially lower returns Potentially higher returns </div> |

Investment Performance after fees as at 30 April 2020⁵

Unit Price: \$1.7063

| | 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) | 3.15% | -7.06% | 1.15% | 5.62% | 7.54% | 10.42% |
| After Tax 10.50% | 3.06% | -7.08% | 0.75% | 5.14% | 6.94% | 9.69% |
| After Tax 17.50% | 2.99% | -7.09% | 0.49% | 4.82% | 6.54% | 9.20% |
| After Tax 28.00% | 2.89% | -7.11% | 0.09% | 4.34% | 5.94% | 8.49% |
| Benchmark | 0.22% | 0.76% | 3.55% | 4.02% | 4.21% | 3.59% |

Top Equity Holdings

| Holdings | % of Fund's NAV |
|------------------------------|-----------------|
| Transurban Group | 2.09% |
| Spark New Zealand | 2.03% |
| Contact Energy | 1.56% |
| Mirvac Group | 1.25% |
| American Waters Works | 0.96% |
| Charter Hall Long Wale REIT | 0.83% |
| Charter Hall Education Trust | 0.75% |
| Investore Property | 0.68% |
| Charter Hall Retail | 0.64% |
| Arena REIT | 0.64% |

Current Asset Allocation

| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash [#] | 29.46% | 5.00% |
| New Zealand Fixed Interest | 14.18% | 15.00% |
| International Fixed Interest | 34.64% | 40.00% |
| New Zealand Equities | 6.76% | 13.00% |
| Australian Equities | 5.26% | 12.00% |
| International Equities | 3.76% | 0% |
| Listed Property | 5.89% | 15.00% |
| Other | 0.05% | 0% |

[#] The actual cash held by the Fund is 16.14%. 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's NAV |
|--------------------------------|-----------------|
| United States Treasury 0% 2020 | 1.48% |
| Lendlease 4.5% 2026 | 1.42% |
| Mirvac Group 3.625% 2027 | 1.21% |
| JPMorgan 1.09% 2027 | 1.17% |
| Westpac 2.59% 2020 | 1.11% |
| NZLGFA 1.5% 2026 | 1.08% |
| ASB Bank 5.25% 2026 | 0.94% |
| Westpac 4.695% 2026 | 0.93% |
| NZ Government Bond 6% 2021 | 0.80% |
| Rabobank 0.875% 2028 | 0.78% |

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

Fund Portfolio Mix



Shares 21.67%
Investment Grade Bonds 39.53%
High Yield & Unrated Bonds 9.29%
Cash and Other 29.51%

Region Exposure



New Zealand 22.49%
Australia 22.53%
International 25.47%
Cash and Other 29.51%

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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