

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund was up by 0.4% in October, with strong returns early in the month moderating as the virus situation in the US and especially Europe deteriorated. Across the Fund's key asset classes this month, there were gains in higher yielding bonds (+0.5%), and Australasian shares, while investment grade bonds saw fairly flat returns, and international shares were down (-3.1%).

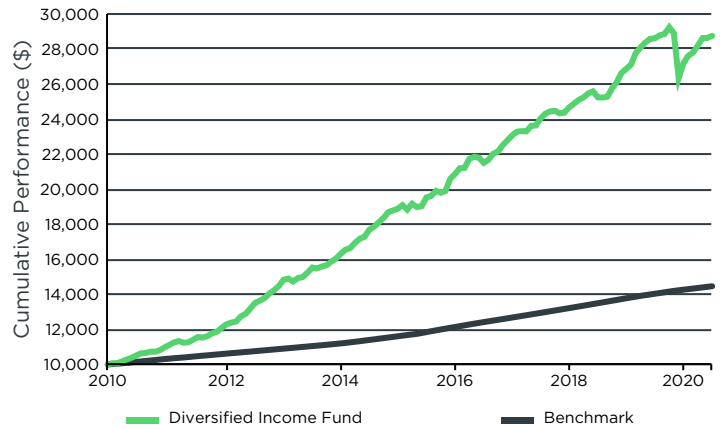
NZ electricity companies Contact (+11.0%) and Meridian (+7.1%) made strong gains, reflecting the improved outlook for the Tiwai smelter, and strong international investor demand especially earlier in the month. We used this to take some profits in these holdings although both remain key exposures. Other highlights were SCA property, a landlord for supermarkets and small malls, which rose 9% on improved rent collection, and NZ retirement village operator Summerset (+15.7%, supported by the surging NZ housing market). In fixed income, we added to holdings in UBS (Swiss bank), Argosy (NZ property) and Lendlease (Australian-headquartered property manager and developer).

In the short term, our strategy is slightly more cautious given uncertainty from the US election and the economic impact of renewed social distancing measures in many countries. Looking into 2021 however, we see more reason for optimism - our base case includes a vaccine, low interest rates, and a gradually improving economy. Bringing those together, we have reduced certain share exposures compared to last month, but changes have been modest with overall shares now at 41.5% of the Fund.

To view Milford's November 2020 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 | 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) | \$2,339.3 M |
| Yield² | 2.75% |
| Average Credit Rating | BBB+ |
| Duration | 1.93 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 | 0.95% (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 17-04-2019

Diversified Income Fund as at 31 October 2020

Investment Performance after fees as at 31 October 2020⁵

Unit Price: \$1.7812

| | 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) | 0.43% | 2.01% | 0.49% | 6.13% | 8.03% | 10.49% |
| After Tax 10.50% | 0.37% | 1.85% | -0.03% | 5.63% | 7.42% | 9.75% |
| After Tax 17.50% | 0.32% | 1.75% | -0.37% | 5.31% | 7.01% | 9.27% |
| After Tax 28.00% | 0.26% | 1.60% | -0.89% | 4.82% | 6.41% | 8.55% |
| Benchmark | 0.23% | 0.69% | 3.03% | 3.76% | 4.07% | 3.55% |

Top Equity Holdings

| Holdings | % of Fund's NAV |
|-------------------|-----------------|
| Contact Energy | 2.44% |
| Spark New Zealand | 2.35% |
| Woolworths | 1.82% |
| Transurban Group | 1.82% |
| Goodman Group | 1.69% |
| Coles Group | 1.43% |
| Meridian Energy | 1.29% |
| Telstra Corp | 1.15% |
| Wesfarmers | 1.12% |
| Mirvac Group | 1.06% |

Current Asset Allocation

| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash # | 4.60% | 5.00% |
| New Zealand Fixed Interest | 10.11% | 10.00% |
| International Fixed Interest | 43.43% | 45.00% |
| New Zealand Equities | 10.32% | 6.50% |
| Australian Equities | 11.36% | 10.00% |
| International Equities | 8.77% | 5.00% |
| Listed Property | 11.06% | 18.50% |
| Other | 0.35% | 0% |

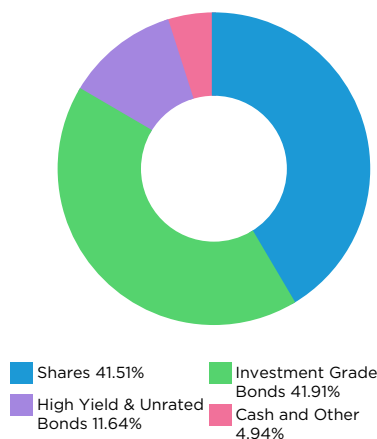
The actual cash held by the Fund is 3.22%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

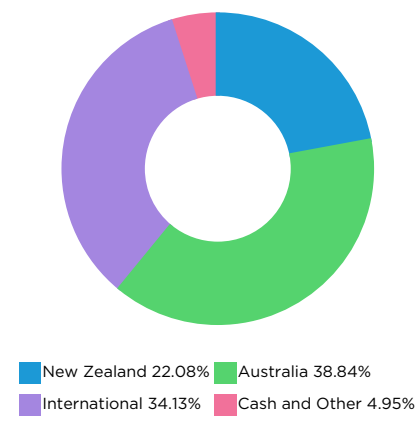
| Holdings | % of Fund's NAV |
|---------------------------|-----------------|
| Scentre Group 5.125% 2080 | 1.90% |
| UBS Float 2025 | 1.48% |
| NZLGFA 1.5% 2026 | 1.31% |
| AusNet Float 2080 | 1.08% |
| Mirvac Group 3.625% 2027 | 1.00% |
| ASB Bank 5.25% 2026 | 0.84% |
| Westpac 4.695% 2026 | 0.83% |
| Kerry Group 0.625% 2029 | 0.68% |
| JPMorgan 1.09% 2027 | 0.67% |
| Ball 1.5% 2027 | 0.65% |

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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