

# Diversified Income Fund

Portfolio Investment Entity

## Monthly Fact Sheet as at 30 April 2022



### Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

Bond and share markets remain under pressure. Bonds continue to adjust to higher market interest rates as central banks signal significant policy tightening will be required to tame inflation. Shares are also adjusting to this policy shift, and to the risk profit growth may decelerate as cost inflation persists and growth slows. The Fund went into the month positioned wary of these risks which helped in navigating heightened volatility to deliver a positive return of 0.3% in the month.

Specifically, the Fund's resilience to these headwinds was helped by a significantly lower allocation to shares and bonds than its long-run neutral. Interest rate exposure has also been limited. The Fund's shares have continued to be tilted away from lower growth income shares (i.e. shares where return is expected to be predominately from dividends), with more exposure to shares that benefit from higher inflation and interest rates. The focus remains however on companies with defensive earnings. A good example of this is global infrastructure which has become a larger exposure for the Fund over the past year. Within this sector April was another notable month for the European airport and road operator Atlantia (+20.8%) as it benefitted from a takeover offer.

While we view prevailing higher market interest rates as closer to long-run fair value, we remain wary interest rate risks remain skewed for further moves higher if inflation remains more persistent. Thus we continue to be very selective in buying bonds, careful of increasing exposure to market interest rates in all but the cheapest markets.

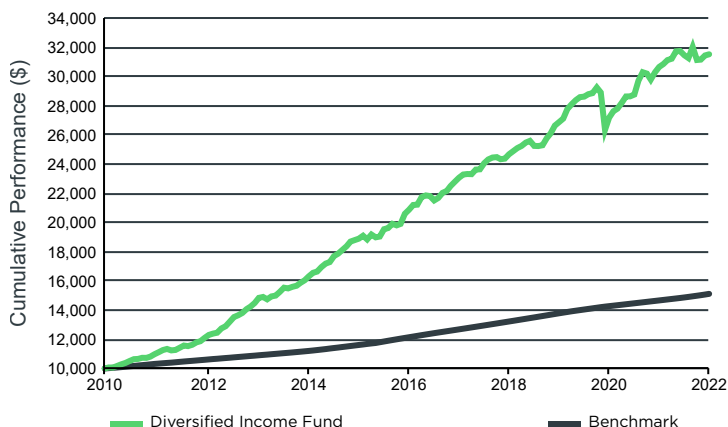
We are still wary many share markets have not fully adjusted to the headwind of higher market interest rates and higher economic uncertainty, including higher inflation. We have therefore retained share exposure lower than in recent quarters. We will opportunistically add to shares where valuations are attractive, and reduce holdings in shares which have outperformed the broader market and where valuations are stretched. Until we get more confidence in the outlook we will limit broad share market exposure below long-run neutral.

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

To view Milford's May 2022 Market and Economic Review please see [milfordasset.com/fact-sheet](https://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

<b>Objective<sup>1</sup></b>	To provide income and capital growth over the minimum recommended investment timeframe
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities
<b>Minimum recommended investment timeframe</b>	4 years +
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,871.6 M
<b>Yield<sup>2</sup></b>	4.67%
<b>Average Credit Rating</b>	BBB-
<b>Duration</b>	1.07 years
<b>Buy-sell Spread</b>	None - swing pricing applies (See PDS for details)
<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>	0.85% (includes an est. performance fee)

	Lower risk						Higher risk
<b>Risk Indicator</b>	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 April 2022

## Investment Performance after fees as at 30 April 2022<sup>5</sup>

Unit Price: \$1.8793

	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)	0.26%	1.26%	2.84%	5.46%	6.45%	9.97%
After Tax 10.50%	0.28%	1.33%	2.97%	5.16%	6.06%	9.31%
After Tax 17.50%	0.29%	1.38%	3.06%	4.96%	5.80%	8.88%
After Tax 28.00%	0.31%	1.45%	3.19%	4.66%	5.41%	8.25%
Benchmark	0.31%	0.85%	3.07%	3.12%	3.57%	3.47%

## Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.26%
Spark	1.50%
Goodman	1.47%
Transurban	1.44%
Telstra	1.39%
Getlink	1.35%
Origin Energy	1.11%
NAB	1.10%
Cheniere Energy	1.09%
Charter Hall Retail	1.08%

## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	20.33%	5.0%
New Zealand Fixed Interest	9.23%	10.0%
International Fixed Interest	41.04%	45.0%
New Zealand Equities	7.36%	6.5%
Australian Equities	8.86%	10.0%
International Equities	1.66%	5.0%
Listed Property	11.52%	18.5%
Other	0.00%	0.0%

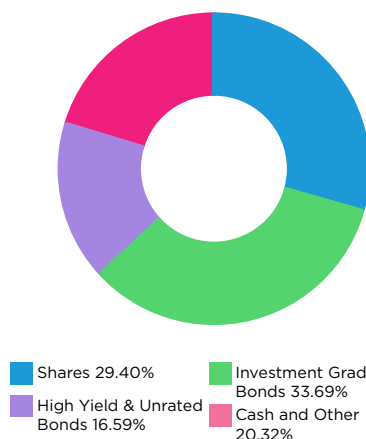
# The actual cash held by the Fund is 5.45%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

## Top Fixed Interest Holdings

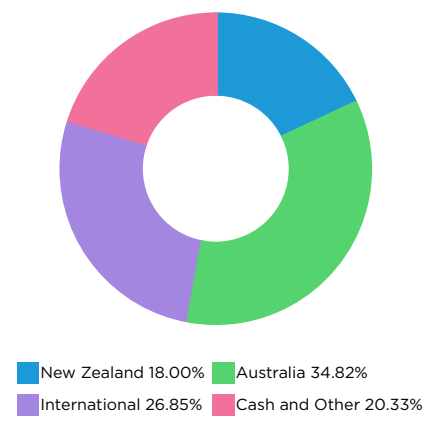
Holdings	% of Fund
NZGBI 2% 2025	3.18%
Scentre Group 5.125% 2080	0.94%
NAB 2.9% 2027	0.86%
CBA Float 2031	0.85%
NatWest 5.125% Perpetual	0.83%
GAIF 2.584% 2027	0.77%
Voyage Float 2029	0.71%
Westpac 3.696% 2027	0.71%
T-Mobile 3.375% 2029	0.69%
Mirvac Group 3.625% 2027	0.66%

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.

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