

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2020



## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

August was a solid month with the Fund rising by 1.5%. Returns were positive across key asset classes, led by Australian shares (+2.8%). That said, gains in Australian shares fell far behind those in global share market (+6.3%), technology shares in particular (+10.6%).

The global technology sector has now risen by 33% year-to-date, compared to declines of 8% for global high-dividend paying companies, and 9% for global property companies. Technology has always been a sector outside of the Fund's focus - reflecting the typical lack of dividends and higher-risks involved with many business models. This lack of exposure to technology and other high-growth companies is a key difference compared to other diversified funds. Looking ahead, we believe the gap in returns between more dividend-oriented companies and 'growth' companies will eventually close. However, timing this is difficult especially in light of structural changes being reinforced by the Coronavirus. A successful vaccine, would be one catalyst likely to improve the relative performance of dividend-oriented shares. In terms of positioning this month, we added to share holdings in US railways, NZ electricity companies (Contact and Meridian) after earlier declines and select property companies. Positions were reduced across several corporate bonds in the banking sector.

The Fund's fixed income holdings fell slightly in August to 54%, while our exposure to shares rose to 39% from 35%. The share allocation has been generally rising since April, reflecting reduced risks in key areas including the virus, economic policy support, and employment; and attractive medium-term valuations for many stocks in our sectors of focus.

To view Milford's September 2020 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

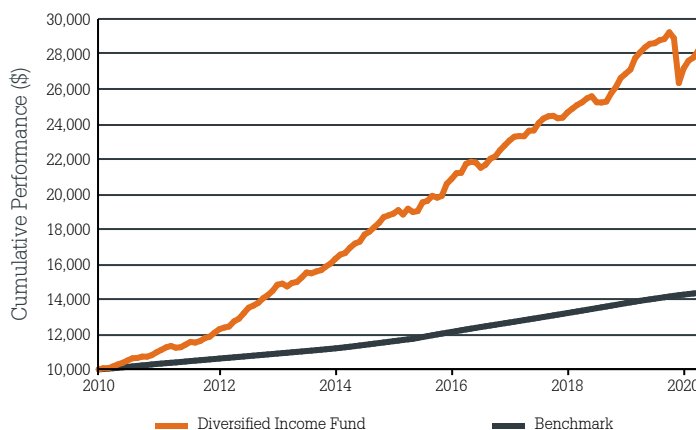
## External Ratings



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

<b>Objective<sup>1</sup></b>	Income and capital growth over a minimum of three years
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,333.7 M
<b>Yield<sup>2</sup></b>	2.63%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	1.22 years
<b>Buy-sell Spread</b>	None
<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>	0.95% (includes an est. performance fee)
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between; align-items: center;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="display: flex; justify-content: center; align-items: center; margin: 5px 0;"> <span>1</span> <span>2</span> <span>3</span> <span style="color: red;">4</span> <span>5</span> <span>6</span> <span>7</span> </div> <div style="display: flex; justify-content: space-between; align-items: center;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

## Investment Performance after fees as at 31 August 2020<sup>5</sup>

Unit Price: \$1.774

	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)	1.54%	3.66%	0.88%	6.61%	8.56%	10.62%
After Tax 10.50%	1.47%	3.45%	0.33%	6.10%	7.93%	9.88%
After Tax 17.50%	1.43%	3.30%	-0.03%	5.75%	7.51%	9.39%
After Tax 28.00%	1.36%	3.08%	-0.58%	5.24%	6.88%	8.67%
Benchmark	0.23%	0.69%	3.16%	3.85%	4.15%	3.56%

### Top Equity Holdings

Holdings	% of Fund's NAV
Spark New Zealand	2.20%
Contact Energy	2.09%
Woolworths	1.97%
Transurban Group	1.91%
Goodman Group	1.61%
Mirvac Group	1.19%
Wesfarmers	1.18%
GPT Group	1.04%
Telstra Corp	1.03%
Meridian Energy	1.00%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	7.21%	5.00%
New Zealand Fixed Interest	11.37%	10.00%
International Fixed Interest	42.63%	45.00%
New Zealand Equities	8.81%	6.50%
Australian Equities	11.05%	10.00%
International Equities	7.46%	5.00%
Listed Property	11.39%	18.50%
Other	0.08%	0%

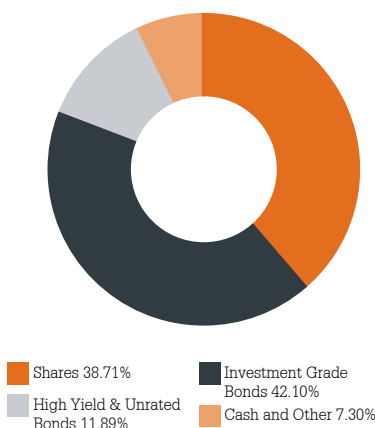
# The actual cash held by the Fund is 5.79%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

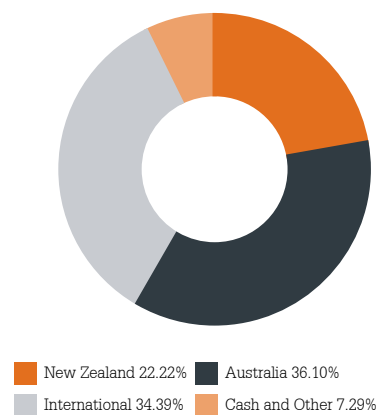
Holdings	% of Fund's NAV
NZLGFA 1.5% 2026	1.35%
Mirvac Group 3.625% 2027	1.03%
Lendlease 4.5% 2026	0.92%
ASB Bank 5.25% 2026	0.87%
Westpac 4.695% 2026	0.85%
ASB Bank 1.83% 2024	0.71%
Kerry Group 0.625% 2029	0.69%
JPMorgan 1.09% 2027	0.68%
Ball 1.5% 2027	0.68%
Nordea Bank 0.5% 2027	0.67%

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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