

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 August 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

The recovery in bonds and shares stalled during August but thanks to cautious positioning the Fund return was close to flat over the month. Economic demand is proving more resilient to higher interest rates, underpinning central bank rhetoric that tighter monetary policy is needed to return inflation to target. This repriced higher the expected path of central bank cash rates which weighed on bonds. It has also increased the risk of a recession which when combined with higher market interest rates has proven a headwind for many shares, leading to very mixed performance across the Fund's holdings. Property shares were a notable weak spot, negatively impacted by higher interest rates, while global shares were generally lower. There were however many pockets of resilience, including positive contributions from Australian energy company Santos (+9.7%) on higher gas prices, Spark New Zealand (6.3%) post results outlining higher shareholder distributions, and UK bank Barclays (+6.1%) which is benefitting from higher rates.

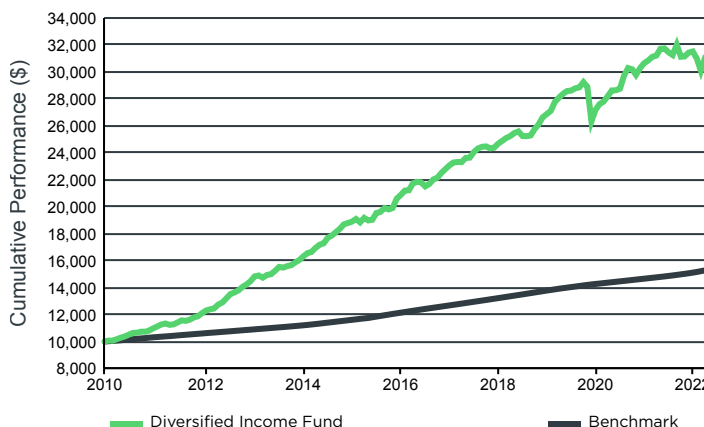
Thankfully we went into the month with cautious positioning. Aggregate share exposure remained significantly lower than its long run neutral as we feared shares could resume their sell-off if interest rates start to rise again and/or if the earnings (economic) outlook deteriorates. On early month market strength we further reduced share exposure. Our exposure to bonds is closer to long run neutral but we have been actively selling more expensive holdings and buying better value new issues, e.g. a new subordinated bond from UK bank Lloyds which yields close to 9.5% in NZ Dollar equivalent terms. Importantly, to help mitigate the interest rate risk we will still focus on shorter-dated bonds where the impact of higher market interest rates is lower, and we managed to reduce interest rate exposure further during the month before market interest rates jumped.

Looking forward, we reiterate that the outlook for medium-term returns has improved given the higher interest rate environment. The caveat remains that near-term volatility is likely to remain elevated and risks remain for a continuation of this renewed bond and share market weakness. Active management and our ongoing cautious positioning should enable us to best navigate these risks.

To view Milford's September 2022 Market and Economic Review please see [milfordasset.com/fact-sheet](http://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>	\$2,829.8 M
<b>Yield<sup>2</sup></b>	5.04%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	0.98 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 31 August 2022

### Investment Performance after fees as at 31 August 2022<sup>5</sup>

Unit Price: \$1.8252

	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)	-0.13%	0.05%	-2.28%	2.98%	5.58%	9.53%
After Tax 10.50%	-0.17%	0.02%	-2.13%	2.73%	5.24%	8.90%
After Tax 17.50%	-0.19%	0.00%	-2.03%	2.56%	5.00%	8.48%
After Tax 28.00%	-0.23%	-0.03%	-1.87%	2.31%	4.66%	7.87%
Benchmark	0.43%	1.20%	3.71%	3.20%	3.60%	3.51%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.25%
Goodman	1.64%
Getlink	1.47%
Telstra	1.22%
Transurban	1.16%
Santos	1.10%
Charter Hall Retail	1.03%
Origin Energy	1.02%
Spark	1.01%
Cheniere Energy	0.76%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	31.40%	5.0%
New Zealand Fixed Interest	9.74%	10.0%
International Fixed Interest	38.92%	45.0%
New Zealand Equities	5.07%	6.5%
Australian Equities	4.80%	10.0%
International Equities	0.79%	5.0%
Listed Property	9.28%	18.5%
Other	0.00%	0.0%

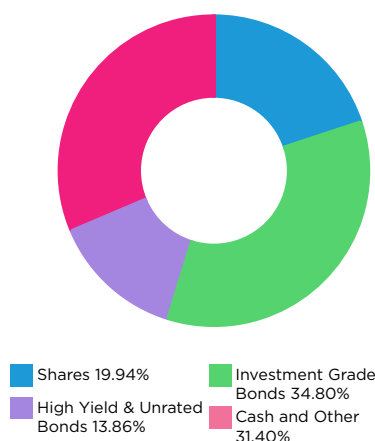
# The actual cash held by the Fund is 9.94%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

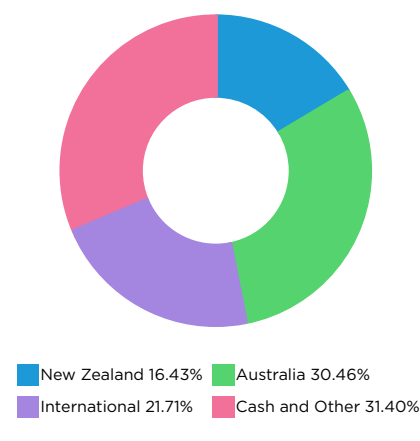
Holdings	% of Fund
NZGBI 2% 2025	3.24%
Scentre Group 5.125% 2080	1.11%
CBA Float 2031	0.86%
Deutsche Bank 4% 2032	0.85%
NZGB 2.5% 2035	0.84%
GAIF 2.584% 2027	0.75%
Voyage Float 2029	0.75%
NatWest 5.125% Perpetual	0.74%
CBA 4.4% 2027	0.73%
Mirvac Group 3.625% 2027	0.69%

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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