

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund rose by 2.0% in December to give a 5.0% return for the year. Across the Fund's key asset classes, returns this month were driven by shares (5% globally, but lower in Australasia), with good gains in high-yield bonds (around 2%), and modest returns in investment grade corporate bonds (0-0.5%).

Within the Fund's share portfolio, our holdings in NZ electricity companies were particularly strong - Contact rose 14.2%, Meridian 15.4%, and Mercury 8.8%. These companies are seeing growing support from international investors focusing on their clean energy credentials. Infratil was the Fund's best performer this month, up 22.7% following an Australian takeover bid. At the other end was a2 Milk, which fell 18.2% after downgrading forecast earnings. a2 is a small exposure at 0.4% of the Fund.

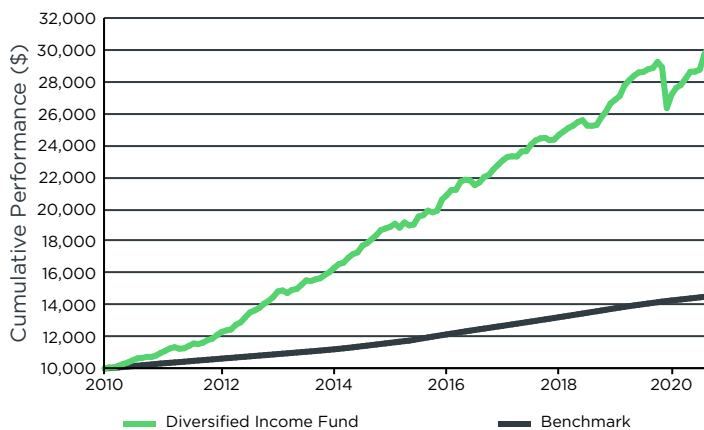
In fixed income, Fund activity was lower this month, partly due to the usual December slowdown in the new issue market. Changes included adding to Seagate, a US high-yield issuer in the technology sector, and reductions in selected higher-quality bonds in Australian dollars.

In terms of strategy, we remain optimistic about prospects for economic growth this year as both fiscal and monetary policy support, and vaccines, should allow a rebound in growth globally from the depressed level of 2020. Valuations across the holdings in the Fund have moved notably higher in the past two months, but are still generally fair. This suggests a reasonably positive outlook for returns over the year, especially in shares and consistent with the 43% exposure to shares in the Fund currently.

To view Milford's January 2021 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) | \$2,470.5 M |
| Yield² | 2.25% |
| Average Credit Rating | BBB+ |
| Duration | 1.12 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) |



External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 17-04-2019

Diversified Income Fund as at 31 December 2020

Investment Performance after fees as at 31 December 2020⁵

Unit Price: \$1.8645

| | 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) | 1.95% | 5.77% | 4.96% | 7.40% | 8.75% | 10.85% |
| After Tax 10.50% | 1.93% | 5.58% | 4.41% | 6.88% | 8.11% | 10.11% |
| After Tax 17.50% | 1.92% | 5.45% | 4.05% | 6.54% | 7.68% | 9.62% |
| After Tax 28.00% | 1.90% | 5.26% | 3.51% | 6.02% | 7.05% | 8.91% |
| Benchmark | 0.23% | 0.69% | 2.91% | 3.68% | 3.99% | 3.53% |

Top Equity Holdings

| Holdings | % of Fund |
|----------------|-----------|
| Contact Energy | 2.74% |
| Spark | 2.28% |
| Woolworths | 1.72% |
| Wesfarmers | 1.63% |
| Goodman | 1.63% |
| Transurban | 1.58% |
| Meridian | 1.54% |
| Telstra | 1.48% |
| Coles | 1.38% |
| Mirvac | 1.11% |

Current Asset Allocation

| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash # | 6.04% | 5.00% |
| New Zealand Fixed Interest | 9.45% | 10.00% |
| International Fixed Interest | 40.21% | 45.00% |
| New Zealand Equities | 11.67% | 6.50% |
| Australian Equities | 12.08% | 10.00% |
| International Equities | 7.99% | 5.00% |
| Listed Property | 11.20% | 18.50% |
| Other | 1.36% | 0% |

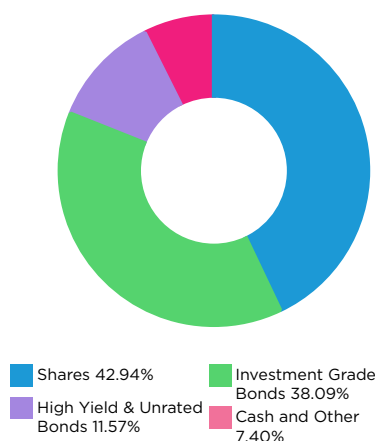
The actual cash held by the Fund is 4.83%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

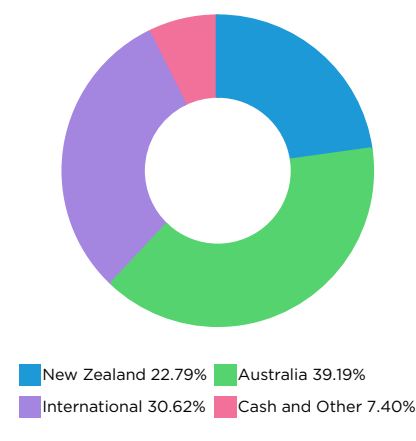
| Holdings | % of Fund |
|---------------------------|-----------|
| Scentre Group 5.125% 2080 | 2.06% |
| AusNet Float 2080 | 1.00% |
| ASB Bank 5.25% 2026 | 0.87% |
| Mirvac Group 3.625% 2027 | 0.87% |
| Aventus Float 2025 | 0.80% |
| NAB Float 2030 | 0.78% |
| Westpac 4.695% 2026 | 0.77% |
| Kerry Group 0.625% 2029 | 0.61% |
| Ball 1.5% 2027 | 0.61% |
| JPMorgan 1.09% 2027 | 0.61% |

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.