

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 December 2021



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

The Fund enjoyed a strong end to the year, gaining 2.4% in December, more than recovering recent weakness. Markets remained choppy in early December, but confidence did grow that they could navigate the Omicron Covid wave and the likely ongoing removal of central bank emergency policy settings. This helped underpin the so called "Santa Rally" which benefitted the Fund's shares (to which exposure was increased over the month) and to a lesser extent its corporate bonds (where fixed income exposure is focused).

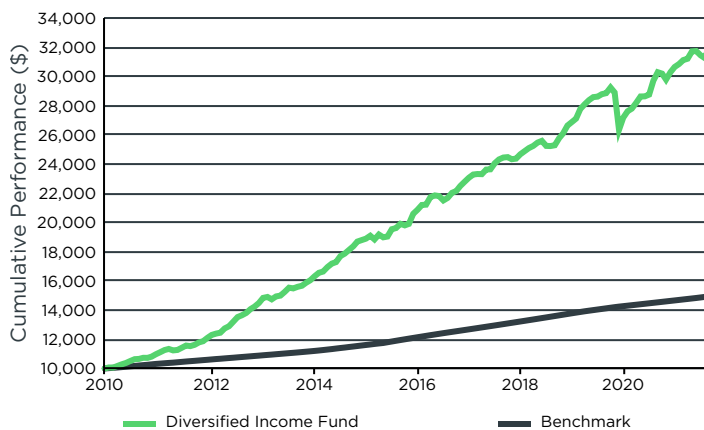
Both income-oriented and cyclical shareholdings saw strong gains, but it was another call out month for property shares; Australian property fund manager Goodman Group (the Fund's largest property exposure) was up another 7.9% (+41.9% over 1-year) while CBRE (global real estate services) was up 13.5%. Global infrastructure (especially roads and airports) and cyclical (e.g. banks) shares also enjoyed a strong month, recovering from previous Omicron weakness. Corporate bonds outperformed mixed performance in government bonds. Subordinated bonds of investment grade companies and high yield rated bonds both generally outperformed higher rated bonds.

Looking forward, our base case remains for positive Fund returns in 2022, albeit more moderate and more volatile. Market interest rates are likely to rise as central banks tighten policy to combat high inflation but should remain historically low. This headwind will be more pronounced for government bonds, but may also limit upside for corporate bonds, so we continue to limit interest rate exposure. The Fund's share exposure may be close to its long run neutral, as the earnings outlook remains positive, but with interest rates rising it remains prudent to complement the Fund's traditional income-oriented shares with cyclical and reopening beneficiary shares.

To view Milford's January 2022 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	To provide income and capital growth over the minimum recommended investment timeframe
Description	Diversified fund that primarily invests in fixed interest and equity income-generating securities
Minimum recommended investment timeframe	4 years +
Target Allocation	60% Income Assets / 40% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$2,941.4 M
Yield²	3.40%
Average Credit Rating	BBB-
Duration	1.07 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	0.90% (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 07-07-2020

Diversified Income Fund as at 31 December 2021

Investment Performance after fees as at 31 December 2021⁵

Unit Price: \$1.9219

	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)	2.44%	0.88%	5.72%	8.18%	7.77%	10.41%
After Tax 10.50%	2.41%	0.96%	5.61%	7.73%	7.29%	9.72%
After Tax 17.50%	2.39%	1.01%	5.53%	7.43%	6.98%	9.27%
After Tax 28.00%	2.36%	1.09%	5.43%	6.97%	6.51%	8.61%
Benchmark	0.27%	0.77%	2.83%	3.21%	3.62%	3.48%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.02%
Goodman	1.51%
Spark	1.37%
Transurban	1.30%
Telstra	1.30%
Charter Hall Retail	1.24%
NAB	1.13%
Mirvac	1.10%
Getlink	1.04%
Charter Hall Long WALE	0.98%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	14.13%	5.0%
New Zealand Fixed Interest	5.54%	10.0%
International Fixed Interest	41.43%	45.0%
New Zealand Equities	8.51%	6.5%
Australian Equities	9.42%	10.0%
International Equities	8.75%	5.0%
Listed Property	12.22%	18.5%
Other	0.00%	0.0%

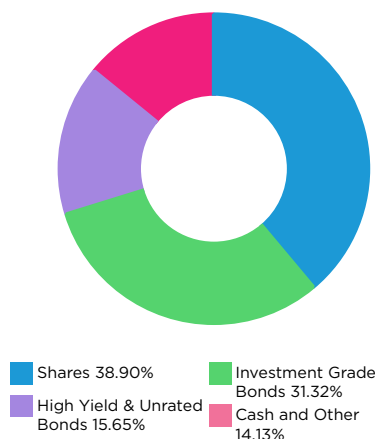
The actual cash held by the Fund is 8.99%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

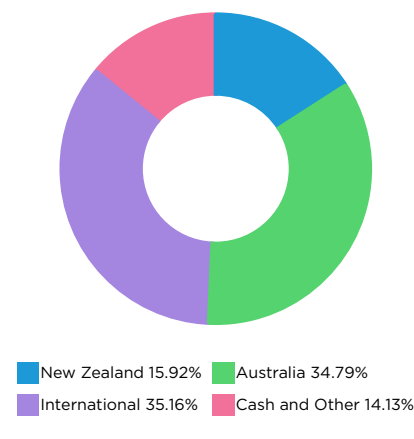
Holdings	% of Fund
Scentre Group 5.125% 2080	1.60%
NatWest 5.125% Perpetual	0.91%
Kiwibank 1.3% 2022	0.91%
CBA Float 2031	0.84%
GAIF 2.584% 2027	0.82%
T-Mobile 3.375% 2029	0.79%
Martin Marietta 2.4% 2031	0.78%
Mirvac Group 3.625% 2027	0.72%
ING Groep 4.25% Perpetual	0.70%
Aventus Float 2025	0.64%

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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