

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 28 February 2021



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund fell 1.4% in February and is up by 3.1% in the past year. Increases in market interest rates over the month drove negative bond returns; -1.6% for the broader global bond market, with sharper declines in typically lower-risk government bonds (-3.6% and -4.8% in NZ and Australian government bonds, for example). Share market returns were solid globally (+2.7%), but weaker in income or dividend-oriented companies, reflected in weak performance for the NZ share market (-6.9%).

Fortunately, the Fund has in recent months been positioning for a move higher in interest rates, using strategies such as selling bond futures (in the US, Australia, and Europe), reducing exposure to certain income shares, and adding a small amount of cyclical shares (such as resource companies). These strategies helped cushion the impact of February's moves.

Within our share portfolio, we saw large declines from Contact (-16.3%) and Meridian (-20.3%), as the NZ electricity sector fell back further from the lofty heights reached in early January. Having reduced positions last month, the Fund was buying back into both companies over February. Looking ahead we continue to anticipate short term price volatility in these companies as offshore ETF holdings change.

Elsewhere in our share portfolio, we saw strong gains from BHP (+12.8%), Santos (+12.5%), and Aena (owner of European airports, +10.7%). We remain optimistic about prospects for economic growth this year as both fiscal and monetary policy support, and vaccines, should drive a rebound in activity globally. Alongside generally fair valuations for our holdings this suggests a reasonably positive outlook for shares.

Looking at fixed income, while bond valuations have improved, we remain mindful of the risk of further weakness and volatility as interest rates potentially move higher. That said, once the process of rising interest rates is over, returns for the Fund (and other income-oriented assets) will benefit from higher yields.

To view Milford's March 2021 Market and Economic Review please see milfordasset.com/fact-sheet.

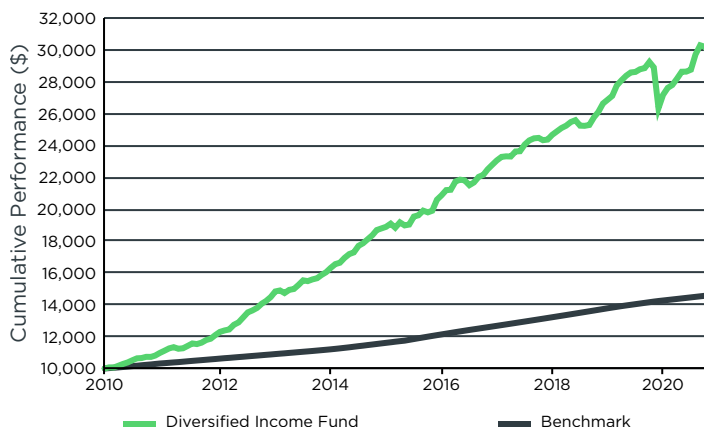
External Ratings



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

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)	\$2,461.7 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)





Diversified Income Fund as at 28 February 2021

Investment Performance after fees as at 28 February 2021⁵

Unit Price: \$1.8224

	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)	-1.35%	0.26%	3.06%	6.97%	8.40%	10.51%
After Tax 10.50%	-1.38%	0.18%	2.54%	6.48%	7.75%	9.78%
After Tax 17.50%	-1.40%	0.13%	2.20%	6.16%	7.31%	9.30%
After Tax 28.00%	-1.43%	0.05%	1.68%	5.67%	6.67%	8.59%
Benchmark	0.21%	0.67%	2.78%	3.60%	3.91%	3.52%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.36%
Spark	2.15%
Transurban	1.46%
Telstra	1.46%
Goodman	1.29%
Meridian	1.26%
Woolworths	1.26%
Getlink	1.03%
Charter Hall Social Infra.	1.00%
Coles	0.98%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	8.77%	5.00%
New Zealand Fixed Interest	9.22%	10.00%
International Fixed Interest	42.24%	45.00%
New Zealand Equities	10.68%	6.50%
Australian Equities	10.10%	10.00%
International Equities	8.58%	5.00%
Listed Property	9.90%	18.50%
Other	0.51%	0%

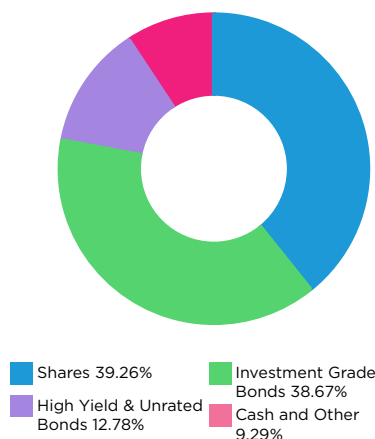
The actual cash held by the Fund is 7.62%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

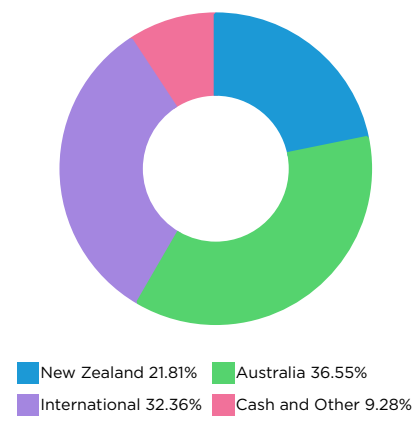
Holdings	% of Fund
Scentre Group 5.125% 2080	1.92%
AusNet Float 2080	1.01%
Mirvac Group 3.625% 2027	0.88%
ASB Bank 5.25% 2026	0.87%
Aventus Float 2025	0.79%
Westpac 4.695% 2026	0.76%
NZLGFA 1.5% 2026	0.64%
Westpac 5% 2027	0.63%
CBA Float 2030	0.60%
Ball 1.5% 2027	0.59%

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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