

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

Bonds and shares were both weaker in January resulting in a negative Fund return of -2.8%. Bond prices fell on higher market interest rates, which combined with some moderation in company earnings growth expectations (from elevated levels), also precipitated a repricing lower of many share markets. The Fund retained a lower exposure to bonds, a reduced share exposure, and more cash, but it was insufficient to prevent a reversal of December's strong Fund gain.

We have held off adding back to the bond exposure through this weakness as valuations may still need to adjust further to waning central bank support. Ultimately however a higher interest rate backdrop should benefit future fund returns, even if for now we think patience is appropriate.

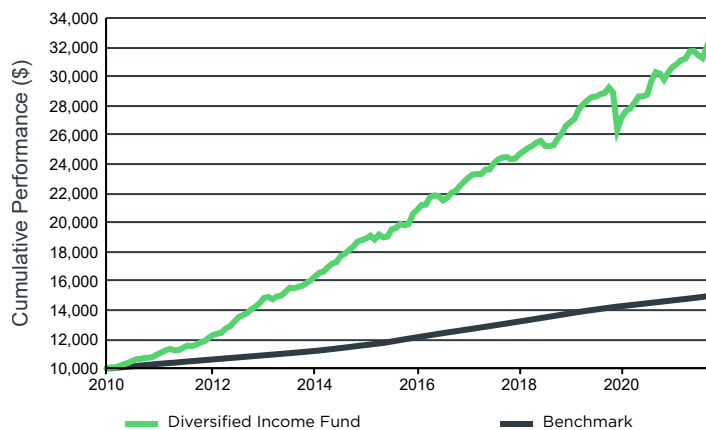
To a large extent this approach also holds for the Fund's shares. Thus far we have navigated the higher interest rate environment by complementing traditional income-oriented shares (which can suffer on higher market interest rates) with cyclical and reopening beneficiary shares. This helped in January with for example the Fund's energy related exposures stronger (e.g. Santos +13.2% and Cheniere +10.3%), banks benefitting from higher interest rates (e.g. Virgin Money +8.2%) and some reopening beneficiaries, such as Mastercard (+7.7%), higher. However, given the adjustment lower in valuations across many of the Fund's more traditional income shares, we are now looking for opportunities to move to less cyclical exposures.

Looking ahead, we think the Fund is well placed to deliver moderate returns over its recommended investment timeframe. Near term these may be lower and more volatile than in recent years, as markets continue the transition to a higher level of market interest rates, but the latter is well progressed. For now we will retain a lower than long term neutral exposure to interest rates, and a higher cash balance at the expense of less corporate bonds and shares. As discussed, we will look to invest some of this cash selectively should valuations at the individual bond and share level provide attractive medium-term returns.

To view Milford's February 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>	\$2,872.4 M
<b>Yield<sup>2</sup></b>	3.69%
<b>Average Credit Rating</b>	BBB-
<b>Duration</b>	1 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>	0.90% (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 January 2022

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

Unit Price: \$1.8682

	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)	-2.79%	-1.03%	3.09%	6.49%	7.03%	10.06%
After Tax 10.50%	-2.74%	-0.97%	3.07%	6.10%	6.59%	9.39%
After Tax 17.50%	-2.70%	-0.92%	3.06%	5.84%	6.29%	8.95%
After Tax 28.00%	-2.65%	-0.86%	3.04%	5.45%	5.85%	8.30%
Benchmark	0.27%	0.79%	2.88%	3.18%	3.61%	3.47%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.07%
Spark	1.51%
Goodman	1.36%
Telstra	1.26%
Transurban	1.22%
Charter Hall Retail	1.20%
NAB	1.12%
Getlink	1.09%
Mirvac	1.02%
Atlantia	1.01%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	15.44%	5.0%
New Zealand Fixed Interest	6.63%	10.0%
International Fixed Interest	43.65%	45.0%
New Zealand Equities	8.13%	6.5%
Australian Equities	9.29%	10.0%
International Equities	5.05%	5.0%
Listed Property	11.81%	18.5%
Other	0.00%	0.0%

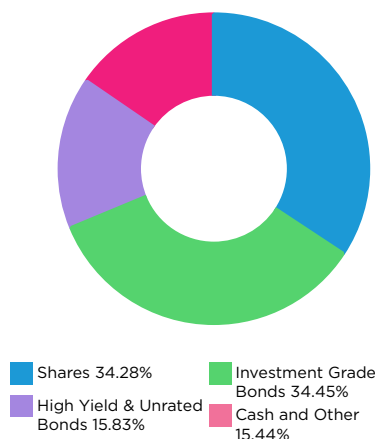
# The actual cash held by the Fund is 6.87%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

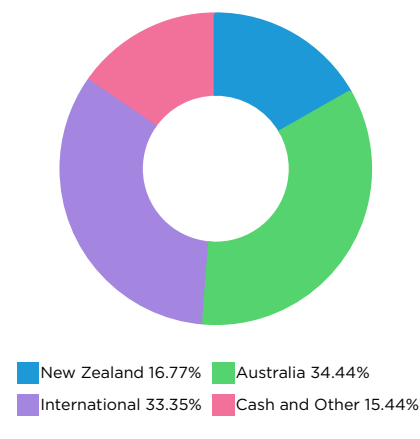
Holdings	% of Fund
Scentre Group 5.125% 2080	1.02%
NatWest 5.125% Perpetual	0.94%
Kiwibank 1.3% 2022	0.93%
CBA Float 2031	0.87%
GAIF 2.584% 2027	0.84%
NZGBI 2% 2025	0.82%
T-Mobile 3.375% 2029	0.81%
Scentre Group 4.75% 2080	0.78%
Mirvac Group 3.625% 2027	0.76%
ING Groep 4.25% Perpetual	0.73%

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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