

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2022



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

July was a strong month for bonds and shares, with the Fund returning 3.2%. Global economic growth appears to be slowing and forward-looking inflation measures have fallen. This reduced market expectations for the extent to which central bank policy cash rates may need to increase to tame inflation, thus increasing hopes central banks can engineer a soft economic landing and support corporate earnings. The result was lower market interest rates and higher bond prices. It also increased risk appetite, underpinning a strong month for corporate bonds' (the Fund's predominant bond exposure) outperformance over government bonds and a substantial extension of the broad share market recovery from the June lows. That included notable gains for some of the Fund's larger holdings; e.g. in a strong month for Australian property, which benefitted from lower rates, Goodman Property was up 16.0%, and within global infrastructure the Channel Tunnel operator Getlink was up 16.0%.

July's return was pleasing but Fund positioning remains cautious. We added back some share exposure during the month, but aggregate share exposure remains significantly lower than its long run neutral. Share market valuations have adjusted to the recent fall in market interest rates, but could resume their sell-off if interest rates start to rise again and/or if the earnings outlook deteriorates. We think these remain material risks, especially if inflation remains stubborn and central banks have to hike rates into more restrictive territory, which would negatively impact growth and earnings.

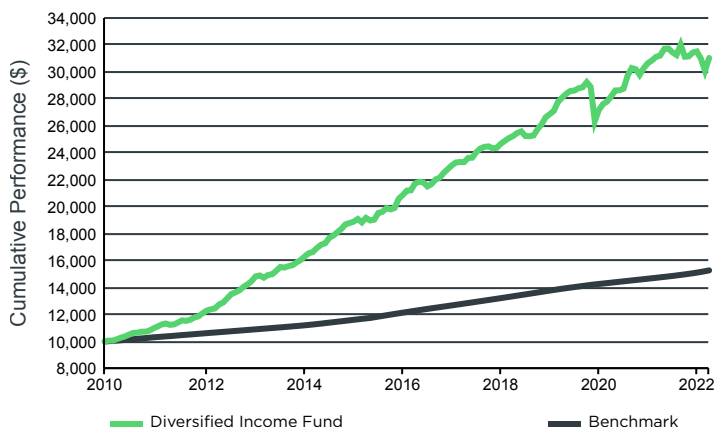
These risks could also negatively impact corporate bonds. Therefore, while our exposure is closer to long run neutral we have trimmed it into the market strength. That said, we continue to selectively add to bonds we believe offer attractive risk, such as a new National Australia Bank subordinated bond callable after 5yrs at a NZ Dollar equivalent yield of approximately 6.8%. 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.

Looking ahead, higher market interest rates and the reduced corporate bond and share valuations should benefit medium term returns. The caveat is that near term volatility is likely to remain elevated and risks remain for a resumption in bond and share market weakness. Ongoing cautious positioning therefore remains appropriate, remaining patient for more confidence in the outlook before adding more risk.

To view Milford's August 2022 Market and Economic Review please see [milfordasset.com/fact-sheet](https://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

**Objective<sup>1</sup>** 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

<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>	\$2,814.6 M
<b>Yield<sup>2</sup></b>	5.20%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	1.27 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 July 2022

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

Unit Price: \$1.839

	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)	3.16%	-1.53%	-0.57%	3.38%	5.90%	9.62%
After Tax 10.50%	3.09%	-1.51%	-0.40%	3.13%	5.55%	8.98%
After Tax 17.50%	3.05%	-1.49%	-0.29%	2.97%	5.32%	8.56%
After Tax 28.00%	2.98%	-1.47%	-0.13%	2.72%	4.98%	7.95%
Benchmark	0.40%	1.11%	3.50%	3.16%	3.58%	3.49%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	1.97%
Goodman	1.62%
Getlink	1.59%
Telstra	1.21%
Transurban	1.13%
NAB	1.06%
Charter Hall Retail	1.06%
Santos	0.99%
Origin Energy	0.97%
Spark	0.95%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	28.37%	5.0%
New Zealand Fixed Interest	9.14%	10.0%
International Fixed Interest	38.39%	45.0%
New Zealand Equities	4.70%	6.5%
Australian Equities	5.00%	10.0%
International Equities	4.81%	5.0%
Listed Property	9.59%	18.5%
Other	0.00%	0.0%

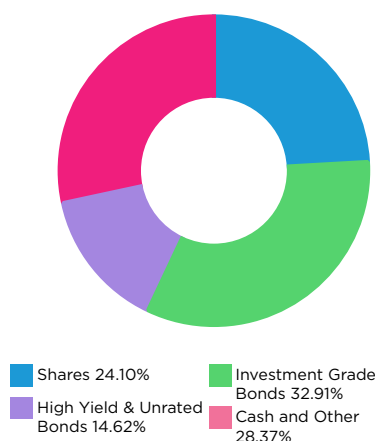
# The actual cash held by the Fund is 11.36%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

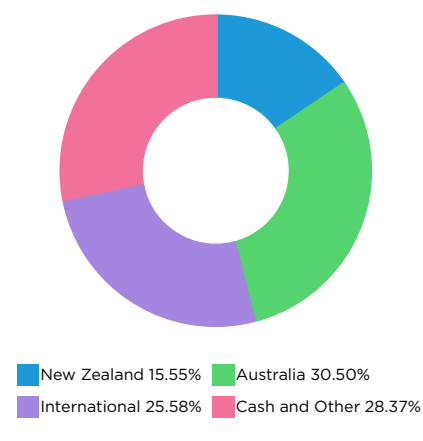
Holdings	% of Fund
NZGBI 2% 2025	3.31%
Scentre Group 5.125% 2080	1.08%
Deutsche Bank 4% 2032	0.89%
CBA Float 2031	0.86%
Macquarie 6.082% 2032	0.82%
NatWest 5.125% Perpetual	0.79%
GAIF 2.584% 2027	0.77%
Voyage Float 2029	0.75%
T-Mobile 3.375% 2029	0.72%
Mirvac Group 3.625% 2027	0.70%

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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