

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 March 2022



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

Irrespective of pronounced weakness in bond markets, the Fund delivered a reasonable return of 0.9% in March, supported by gains across its shares.

It has been one of the worst quarters and months on record for bonds. Market interest rates rose on hawkish central bank reactions to increasing and more persistent global inflationary pressures, amplified by the impacts of the Ukraine war. The negative impact on the Fund was cushioned by having limited interest rate exposure and more recently by outperformance of many corporate bonds (its predominant bond exposure) over government bonds. Shares were more resilient for the Fund, notably global infrastructure (e.g. European airport and road operator Atlantia +15.2%) and Australian shares, especially energy and commodities (Origin Energy +11.8%) and banks (NAB +11.8%). NZ utilities also outperformed the broader NZ market.

During the month we added selectively to bonds that had reached valuations less likely to be negatively impacted by rising interest rates. This included Deutsche Bank subordinated bonds in Euros and a subordinated NZ Dollar bond from Insurance Australia Group. We view prevailing higher market interest rates as closer to long run fair value, but acknowledge risks remain skewed for further moves higher. Thus, we remain very selective in buying bonds and wary of increasing exposure to market interest rates in all but the cheapest markets.

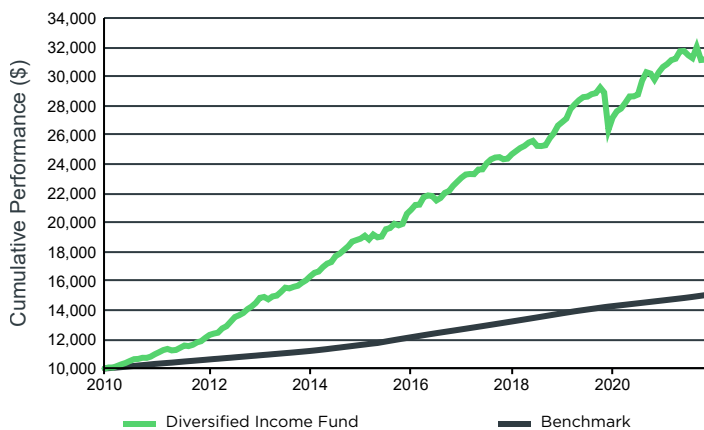
We have been surprised by the share market's strength and remain concerned it has not fully adjusted to (i) higher market interest rates, (ii) less monetary and fiscal support, and (iii) higher economic uncertainty including higher inflation. We therefore remain wary of further share market weakness. We are opportunistically adding to shares where valuations are attractive (e.g. this month property company Goodman Group), but are limiting broad share market exposure below long run neutral. To protect from higher market interest rates and ongoing elevated inflation we still retain more cyclical and "value" oriented shares (such as banks, energy and resources), to complement the Fund's traditional income-oriented shares (which can suffer on higher market interest rates).

Looking ahead, near term Fund returns may remain somewhat volatile but over the medium term the Fund is well placed to deliver moderate returns in line with its objective, underpinned by higher and closer to fair value market interest rates.

To view Milford's April 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)	\$2,850.6 M
Yield²	4.54%
Average Credit Rating	BBB
Duration	1.19 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	0.85% (includes an est. performance fee)

	Lower risk	4			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 March 2022

Investment Performance after fees as at 31 March 2022⁵

Unit Price: \$1.8746

	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)	0.92%	-1.82%	3.80%	5.68%	6.65%	10.01%
After Tax 10.50%	0.94%	-1.71%	3.88%	5.35%	6.24%	9.36%
After Tax 17.50%	0.96%	-1.64%	3.94%	5.13%	5.97%	8.92%
After Tax 28.00%	0.99%	-1.54%	4.02%	4.80%	5.57%	8.28%
Benchmark	0.29%	0.82%	2.98%	3.13%	3.58%	3.47%

Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.27%
Spark	1.57%
Telstra	1.36%
Transurban	1.34%
Charter Hall Retail	1.29%
Atlantia	1.23%
Goodman	1.21%
Getlink	1.11%
NAB	1.10%
Charter Hall Long WALE	1.09%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	17.51%	5.0%
New Zealand Fixed Interest	9.13%	10.0%
International Fixed Interest	42.64%	45.0%
New Zealand Equities	7.67%	6.5%
Australian Equities	9.79%	10.0%
International Equities	1.19%	5.0%
Listed Property	12.07%	18.5%
Other	0.00%	0.0%

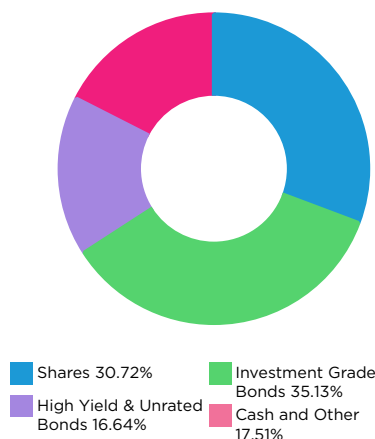
The actual cash held by the Fund is 3.53%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

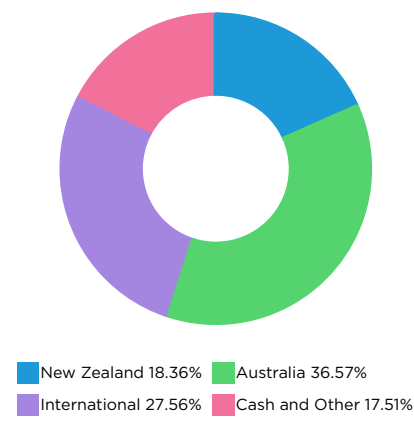
Holdings	% of Fund
NZGBI 2% 2025	3.21%
Scentre Group 5.125% 2080	0.90%
NAB 2.9% 2027	0.86%
CBA Float 2031	0.85%
NatWest 5.125% Perpetual	0.84%
Westpac 3.696% 2027	0.80%
GAIF 2.584% 2027	0.78%
Macquarie 3.231% 2025	0.77%
T-Mobile 3.375% 2029	0.69%
Voyage Float 2029	0.67%

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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