

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2021



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

Inflation is dominating income assets, proving to be less transient than central banks had hoped. Some policy makers, notably the Reserve Bank of New Zealand, have reacted by beginning the removal of emergency monetary policy settings. Others may prove to be slower (e.g. the US and Australia) but that has not stopped expectations building, pushing market interest rates higher and bond prices lower. The Fund had hedges in place to cushion the negative impact of rising rates, but bonds still detracted from returns in October.

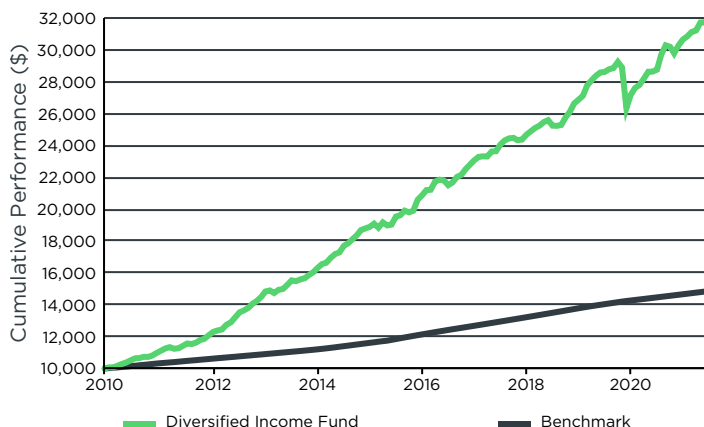
Rising market interest rates were also a headwind for Australasian shares, especially income-oriented shares. This weakness was somewhat offset by strong performance across many of the Fund's global shares. Two notable performers were US rail Norfolk Southern (+22.5%), which benefits from the US reopening, and US health insurer Anthem Inc (+16.7%) after strong results. Unfortunately these gains were insufficient to prevent a negative 0.9% Fund return in October, however over 6 and 12 months the Fund is up 2.6% and 9.4% respectively.

Looking ahead, waning monetary policy support is likely to see further periods of elevated volatility but has led some market interest rates to levels where it made sense to allocate more to corporate bonds. We will keep interest rate exposure lower than we have historically but note we may be getting closer to the final destination for longer dated interest rates in this cycle. For shares, company reporting suggests inflation and logistics headwinds remain navigable, even if earnings growth may moderate from recent highs. In conclusion therefore, we still believe the medium-term economic and market outlook remains constructive for Fund returns. Indeed, increased volatility should provide a fertile backdrop for us to buy bonds and shares that will beat the broader market over time.

To view Milford's November 2021 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>	\$2,817.4 M
<b>Yield<sup>2</sup></b>	3.20%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	0.47 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	4			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 October 2021

## Investment Performance after fees as at 31 October 2021<sup>5</sup>

Unit Price: \$1.8991

	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%	0.76%	9.36%	7.60%	7.90%	10.39%
After Tax 10.50%	-0.85%	0.77%	9.11%	7.16%	7.38%	9.70%
After Tax 17.50%	-0.80%	0.77%	8.94%	6.86%	7.03%	9.24%
After Tax 28.00%	-0.73%	0.78%	8.69%	6.42%	6.52%	8.56%
Benchmark	0.25%	0.70%	2.76%	3.27%	3.66%	3.48%

## Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.29%
Sydney Airport	1.46%
Goodman	1.46%
Transurban	1.45%
Telstra	1.41%
Charter Hall Retail	1.30%
Spark	1.27%
NAB	1.12%
Meridian	1.11%
Charter Hall Long WALE	0.97%

## Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.58%	5%
New Zealand Fixed Interest	7.49%	10%
International Fixed Interest	46.40%	45%
New Zealand Equities	9.96%	6.5%
Australian Equities	9.84%	10%
International Equities	8.93%	5%
Listed Property	11.55%	18.5%
Other	1.25%	0%

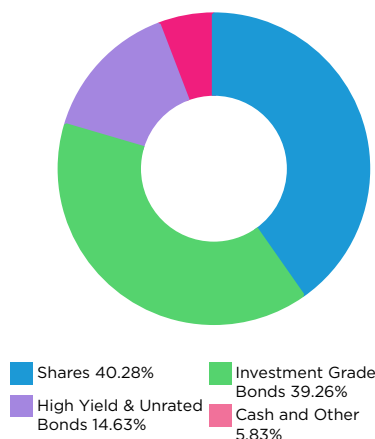
# The actual cash held by the Fund is 2.50%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

## Top Fixed Interest Holdings

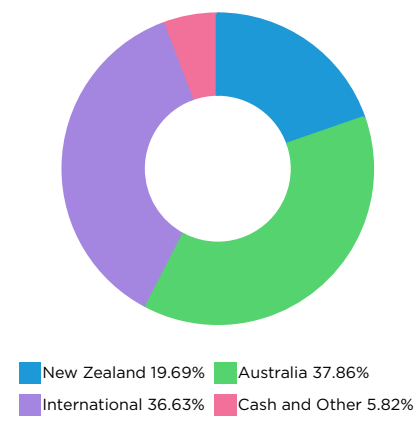
Holdings	% of Fund
Scentre Group 5.125% 2080	1.70%
Kiwibank 1.3% 2022	0.96%
Bank of Queensland Float 2026	0.95%
NatWest 5.125% Perpetual	0.94%
CBA Float 2031	0.87%
Martin Marietta 2.4% 2031	0.79%
T-Mobile 3.375% 2029	0.77%
Mirvac Group 3.625% 2027	0.72%
ING Groep 4.25% Perpetual	0.71%
ASB 5.25% 2026	0.68%

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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