

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2021



## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

The market volatility we had been wary of duly arrived in September, but the Fund still managed to eke out a small positive return of 0.1%. Bonds were weaker as market interest rates rose while, excluding some outperformance in NZ, shares were generally weaker.

Market interest rates rose reflecting central bank signals that the removal of emergency monetary policy settings is approaching. This weighed on income-oriented shares and shares of high growth companies (which have benefitted from lower rates) but there is also wariness that company earnings may be negatively impacted by supply shortages and higher input costs. The Fund's lower interest rate exposure (which we retain) and below long-run neutral exposure to bonds cushioned returns from rising interest rates. The lower than historic allocation to income-oriented shares also helped, as the Fund's reopening winners (e.g. Spanish airports Aena up 10.4%) and cyclical shares (e.g. Australian energy company Santos up 18.5%) outperformed. Importantly, we reduced share exposure during the month which further limited losses.

Looking forward, the medium-term economic and market outlook remains constructive but the reopening from Delta is proving complicated which (i) increases near-term company earnings risks and (ii) means labour and logistics issues keep inflation risks elevated. Moreover, markets need to navigate likely waning monetary policy support, just as fiscal support also falls away. This is a tricky backdrop to traverse and so for now we keep this more moderately conservative setting, specifically with less shares but more bonds and cash than in recent months. However, we will look for weakness in markets to add selectively to bonds and shares of those companies we believe will deliver attractive medium-term returns.

To view Milford's October 2021 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

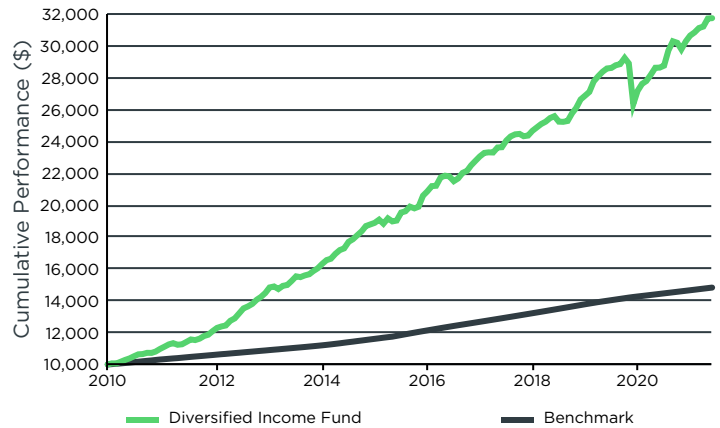
## External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 07-07-2020

## 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>	\$2,829.4 M
<b>Yield<sup>2</sup></b>	2.82%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	0.36 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)



## Diversified Income Fund as at 30 September 2021

### Investment Performance after fees as at 30 September 2021<sup>5</sup>

Unit Price: \$1.9167

	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)	0.07%	2.00%	10.84%	7.45%	7.79%	10.56%
After Tax 10.50%	0.04%	1.93%	10.44%	6.97%	7.26%	9.86%
After Tax 17.50%	0.01%	1.88%	10.18%	6.66%	6.90%	9.39%
After Tax 28.00%	-0.02%	1.81%	9.78%	6.18%	6.36%	8.70%
Benchmark	0.22%	0.68%	2.74%	3.30%	3.68%	3.48%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	2.27%
Transurban	1.52%
Telstra	1.44%
Spark	1.33%
Charter Hall Retail	1.27%
Goodman	1.24%
Meridian	1.20%
Sydney Airport	1.12%
NAB	1.08%
Getlink	0.87%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	8.34%	5.00%
New Zealand Fixed Interest	8.21%	10.00%
International Fixed Interest	46.74%	45.00%
New Zealand Equities	9.80%	6.50%
Australian Equities	9.69%	10.00%
International Equities	6.71%	5.00%
Listed Property	10.37%	18.50%
Other	0.14%	0.00%

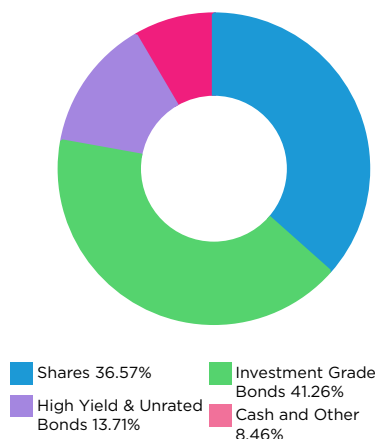
# The actual cash held by the Fund is 4.98%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

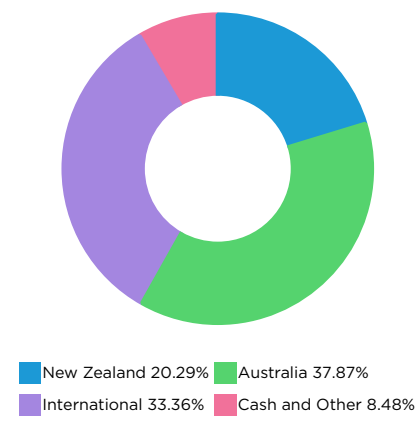
Holdings	% of Fund
Scentre Group 5.125% 2080	1.58%
Kiwibank 1.3% 2022	0.95%
CBA Float 2031	0.87%
Martin Marietta 3.2% 2051	0.82%
T-Mobile 3.375% 2029	0.78%
ING Groep 4.25% Perpetual	0.75%
Mirvac Group 3.625% 2027	0.75%
ASB 5.25% 2026	0.69%
Becton Dickinson Euro 0.334% 2028	0.69%
Wesfarmers 1.941% 2028	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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