

Milford Diversified Income Fund (AU)

February 2022



Portfolio Managers



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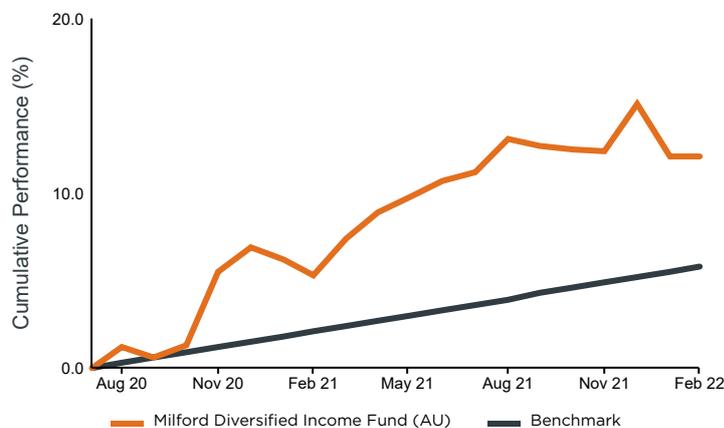
The Fund retained a cautious stance (less bonds and shares, more cash), which developments in Ukraine further justified. In a volatile month for markets, the Fund delivered a flat return. Bonds remained pressured by rising market interest rates. Performance across shares was mixed. Some sectors continue to see prices adjust lower to reflect less supportive policy outlooks and potentially lower earnings growth, but there were pockets of strength. Australasian utilities and banks (e.g. Westpac +12.4%) were generally stronger, while commodity related exposures benefitted from higher prices (e.g. US gas exporter Cheniere +19.1%).

Given ongoing volatility we held off from materially adding to the Fund's bonds. Recent price moves have however brought some bonds closer to prices which we think may offer attractive medium-term returns for their risk. Thus while patience has been rewarded, selectively adding to bonds less likely to be negatively impacted by higher interest rates may be timely.

We remain wary of the risk for further share market weakness but increasingly find company level opportunities which may afford attractive medium-term returns. We will therefore look to opportunistically add such shares while continuing to limit broad share market exposure. To protect the Fund from higher market interest rates and ongoing elevated inflation, we continue to complement traditional income-oriented shares (which can suffer on higher market interest rates) with more cyclical and "value" oriented shares (such as banks, energy and resources).

Looking ahead, near-term returns may be lower and more volatile than in recent years but over the medium term, the recommended investment timeframe, the Fund is well placed to deliver moderate returns. For now, and until we get more clarity on the return outlook, we will retain a lower than long-run neutral exposure to interest rates, and a higher cash balance at the expense of less corporate bonds and shares. Nonetheless, as discussed above, we are primed to selectively deploy some cash into individual bonds and shares which provide attractive medium-term returns.

Investment Performance to February 2022*



* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

Key Fund Facts

Objective	Provide a regular income as well as providing moderate capital growth, while seeking to preserve capital over rolling two-year periods.
Description	A diversified portfolio that primarily invests in fixed interest and equity income generating securities.
Benchmark	RBA Cash Rate + 3.5% p.a.
APIR	ETL1908AU
mFund Code	MFA03
Redemption Price as at 28 Feb	\$1.0426
NAV as at 28 Feb	\$15.2 Million
Inception Date	August 2020
Minimum Investment	\$20,000
Recommended Investment Timeframe	3 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Running Yield	2.8%
Management Fee*	0.70%
Capped Expense Recovery*	0.05%
Fund Pricing	Daily
Distribution Frequency**	Monthly

*Fees are stated exclusive of GST.

**Current monthly estimated distribution 0.18 cents per unit.

Investment Performance to February 2022*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Diversified Income Fund (AU)	0.01%	-0.86%	6.49%	-	-	7.53%
Benchmark	0.27%	1.77%	3.60%	-	-	3.64%
Over/Underperformance	-0.26%	-2.62%	2.90%	-	-	3.89%

Past performance is not a reliable indicator of future performance.

* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

** Inception date of the Fund is 03 August 2020.

Top Equity Holdings

Holdings	% of Fund
Transurban	1.61%
Charter Hall Retail	1.49%
Telstra	1.45%
Contact Energy	1.32%
Charter Hall Long WALE	1.28%
NAB	1.20%
Shopping Centres AU	1.14%
Woolworths	1.04%
Charter Hall	1.01%
Goodman	1.01%

Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	25.70%	35.0%	0-70%
Australian Fixed Interest	22.48%	20.0%	0-70%
Australian Equities	13.17%	20.0%	0-50%
Listed Property	11.78%	15.0%	0-30%
International Equities	9.14%	5.0%	0-40%
Cash and Other #	17.73%	5.0%	0-60%

Cash and Other reported above is adjusted to reflect the Fund's notional positions.

Top Fixed Interest Holdings

Holdings	% of Fund
Scentre Group 5.125% 2080	1.82%
Downer Group 3.7% 2026	1.61%
CBA Float 2030	1.31%
HSBC Float 2024	1.30%
Wesfarmers 1.941% 2028	1.22%
Mirvac Group 3.625% 2027	1.18%
Bank of Queensland Float 2026	1.16%
Qantas 3.15% 2028	1.11%
NatWest 5.125% Perpetual	1.08%
Macquarie Float 2031	1.03%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report. There have been no changes to the key service providers or individuals playing a key role in investment since the last monthly report.

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Milford Diversified Income Fund (AU)'s Target Market Determination is available at <https://milfordasset.com.au/forms-documents.au>. The Target Market Determination is a document describing who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.