

# Milford Diversified Income Fund (AU)

ETL1908AU

September 2020



## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Portfolio Manager

The Fund fell by 0.6% in September. Most of the markets in which the Fund invests were lower this month, with declines of between 1% and 4% for Australian and global shares and global high-yield bonds. Positive returns were seen in Australian investment grade corporate bonds as interest rates fell further, while global investment grade bonds were mixed.

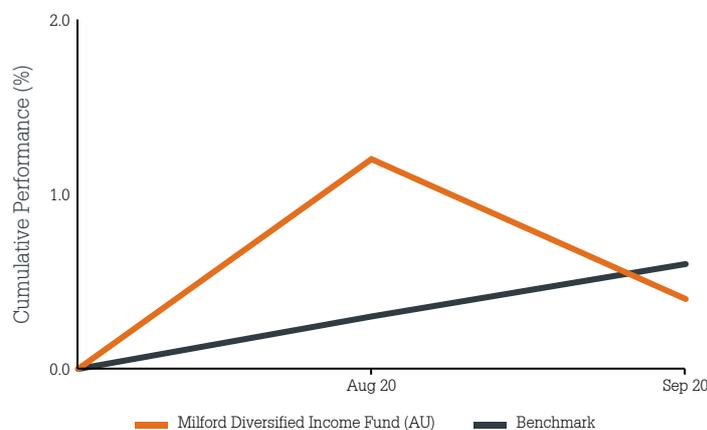
Within our share portfolio, we saw strong performance this month from Transurban (+4.8%, benefitting from easing in the Victorian lockdown) and Contact Energy (+6.4% on news that the government was negotiating a deal to delay the Tiwai aluminium smelter's closure). Several of the Fund's REIT holdings also performed well including childcare landlords Arena (+7.2%) and Charter Hall Social Infrastructure (+5.0%).

At the weaker end was a2 Milk (-17.5%, following an earnings downgrade). Reflecting its higher inherent risk, a2 is a smaller holding at 0.4% of the Fund. The Fund added a new holding in BHP (0.7%) to the equity portfolio. We feel constructive about medium term commodity prices, and it offers a solid balance sheet and diversified source of income (~5% yield) compared to other holdings.

In fixed income, the notable addition this month was a new hybrid debt issue from Australian retail landlord Scentre Group. Retail is a difficult sector in the pandemic, but this instrument ranks senior to ordinary shareholders and we feel the 5% yield is attractive for the risk. The Fund has taken a meaningful exposure (2.5% holding).

Looking ahead, we have moderate concerns around the US election and fiscal support negotiations, and the virus situation in Europe. These all present key risks to the outlook. However, we believe that a gradual ongoing economic recovery, supported by central banks and a potential vaccine, is the most likely scenario into 2021. This, alongside moderately supportive valuations in most shares in the Fund (including attractiveness compared to very low bond yields), supports the current 41% equity allocation.

## Investment Performance to September 2020\*



\* 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.
Redemption Price <small>as at 30 Sep</small>	\$1.0025
NAV <small>as at 30 Sep</small>	\$10.8 Million
Inception Date	August 2020
Minimum Investment	\$20,000
Recommended Investment Timeframe	3 years +
Buy-sell Spread	+/-0.15%
Entry/Exit Fee	Nil
Distribution Frequency	Monthly
Management Fee*	0.70%
Capped Expense Recovery*	0.05%
Performance Fee*	Not Applicable
Fund Pricing	Daily

\* Fees are stated exclusive of GST.

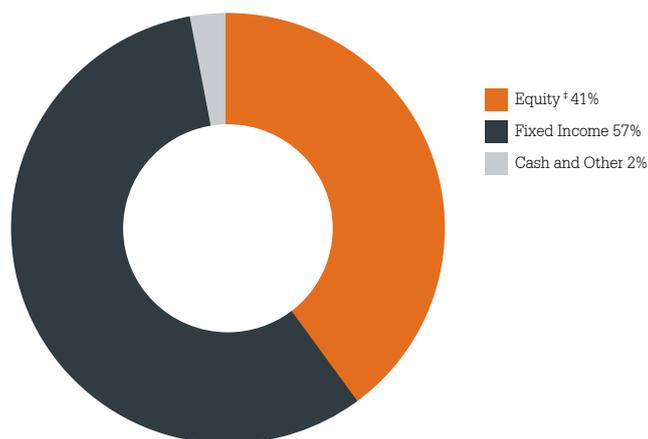
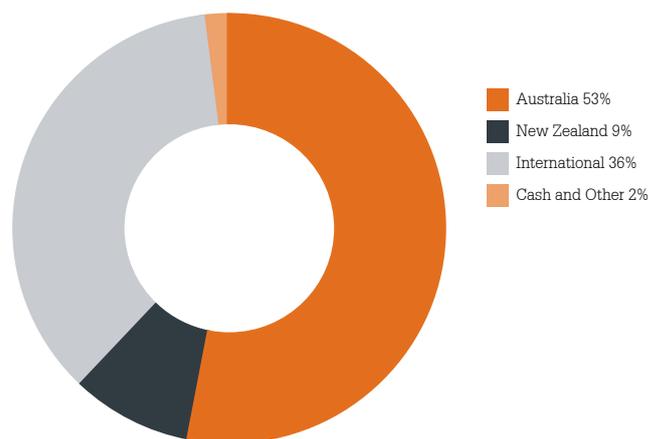
Investment Performance to September 2020<sup>†</sup>

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception <sup>**</sup>
Milford Diversified Income Fund (AU)	-0.59%	-	-	-	-	0.58%
Benchmark	0.30%	-	-	-	-	0.62%

Past performance is not reliable indicator of future performance.

<sup>†</sup> Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

<sup>\*\*</sup> Inception date of the Fund is 3 August 2020.

Current Asset Allocation<sup>1</sup>Current Country Allocation<sup>†1</sup>

## Top Security Holdings

Holdings	% of Fund's NAV
Scentre Group 5.125% 2080	2.53%
Woolworths	2.47%
Transurban Group	2.09%
Coles Group	2.03%
Goodman Group	1.98%
Citigroup Float 2024	1.85%
CBA Float 2030	1.85%
HSBC Float 2024	1.83%
Wesfarmers	1.59%
American Waters Works	1.59%

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

<sup>1</sup> The actual investment mix incorporates the notional exposure value of equity derivatives and credit default swaps, where applicable.

<sup>†</sup> Equity will be the net amount, ie the total long less any shorts.

<sup>†1</sup> Typically the country in which the company issuing the share/bond primarily operates

## Fund Changes

There have been no material changes to the below information since the last monthly report:

- The Fund's risk profile
- The Fund's strategy

There have been no changes to the below information since the PDS was issued:

- Key service providers
- Individuals playing a key role in investment

Milford Australia Pty Ltd ABN 65 169 262 971  
 AFSL 461253 Suite 5, Level 33, MLC Centre  
 19-29 Martin Place, Sydney NSW 200  
 Phone 1300 133 451 milfordasset.com.au

