

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2019



Portfolio Managers



David Lewis
Portfolio Manager



Jonathan Windust
Co-Portfolio Manager

The Fund returned 0.9% in May, and has returned 8.9% in the past year. While global share markets were very weak this month, returns for Australasian shares, and in particular income-oriented shares, were solid. This was partly due to declines in global market interest rates, as investors grew more concerned about the impact on global growth from the heightened trade war. In the short-term, these lower interest rates support returns from our bond investments (for example global corporate bonds rose 1.4% this month). However, the ongoing push lower in yields does create a headwind for future returns.

Highlights this month in the Fund's share portfolio included our largest holding Contact Energy (+9.8%), NZ retail landlord Investore (+9.1%), and Australian property landlord/developer Mirvac (+7.1%). On the negative side, global retail landlord Unibail-Rodamco-Westfield, which is exposed to a potentially weaker US and European consumer, fell 11.7%. Sydney Airport was down modestly (-2.8%) after it announced weaker passenger growth.

In trading activity, the Fund was active across various asset classes this month including adding protection through a low-cost insurance strategy in the US market (put options) and adding US interest rate exposure. We took profits in some Australasian holdings that have performed well (Contact and Mirvac) and added to select lower-risk bond exposures such as US bank JP Morgan. Looking ahead our strategic view remains 'moderately cautious', reflected in exposures to shares (32%) and high-yield bonds (15%) that are reasonably low relative to our longer-term targets.

To view Milford's June 2019 Market and Economic Review please see milfordasset.com/fact-sheet.

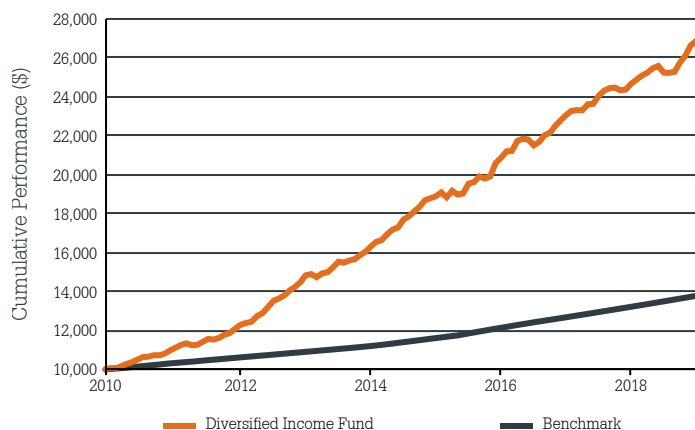
External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 17-04-2019

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	Income and capital growth over a minimum of three years
Description	Diversified fund that primarily invests in fixed interest and equity income-generating securities
Target Allocation	60% Income Assets / 40% Growth Assets
Neutral FX Exposure	0%
Net Asset Value (NAV)	\$2,204.1 M
Yield²	3.97%
Average Credit Rating	BBB+
Duration	1.46 years
Buy-sell Spread	None
Inception Date	1 April 2010
Current Distribution	1.6 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	1.04% (includes an est. performance fee)
Risk Indicator	<div style="display: flex; justify-content: space-between;"> Lower risk Higher risk </div> <div style="text-align: center;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between;"> Potentially lower returns Potentially higher returns </div>

Investment Performance after fees as at 31 May 2019⁵

Unit Price: \$1.7421

	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)	0.91%	3.87%	8.95%	8.55%	10.37%	11.49%
After Tax 10.50%	0.90%	3.74%	8.51%	7.92%	9.70%	10.73%
After Tax 17.50%	0.90%	3.66%	8.22%	7.50%	9.25%	10.22%
After Tax 28.00%	0.89%	3.53%	7.78%	6.87%	8.59%	9.48%
Benchmark	0.34%	1.04%	4.23%	4.29%	4.24%	3.60%

Top Equity Holdings

Holdings	% of Fund's NAV
Contact Energy	2.81%
Meridian Energy	1.75%
Spark New Zealand	1.66%
Argosy Property	1.44%
Kiwi Property Group	1.43%
Charter Hall Education Trust	1.22%
Mirvac Group	1.17%
Charter Hall Long Wale REIT	1.15%
Goodman Group	1.11%
Arena REIT	1.10%

Current Asset Allocation

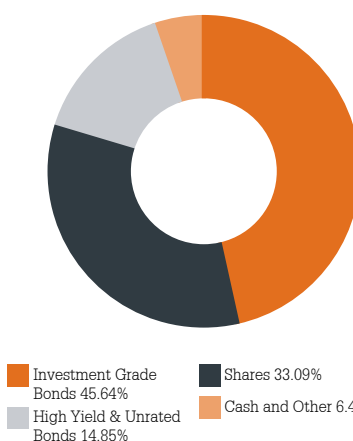
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	6.42%	5.00%
New Zealand Fixed Interest	17.01%	15.00%
International Fixed Interest	43.48%	40.00%
New Zealand Equities	10.45%	13.00%
Australian Equities	5.78%	12.00%
International Equities	0.00%	0.00%
Listed Property	16.86%	15.00%
Other	0.00%	0.00%

Top Fixed Interest Holdings

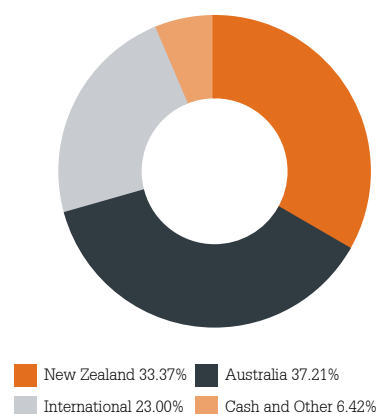
Holdings	% of Fund's NAV
QBE 6.75% 2044	1.78%
ASB Bank 5.25% 2026	1.76%
Westpac 4.695% 2026	1.44%
ANZ 2.91% 2019	1.30%
Mirvac Group 3.625% 2027	1.20%
Aventus Capital Float 2025	1.12%
JPMorgan 1.09% 2027	1.09%
ASB Bank Float 2022	1.07%
Rabobank 4.625% 2025	1.04%
HSBC 6% 2023	0.97%

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

Fund Portfolio Mix



Country 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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