

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2019



Portfolio Managers



David Lewis
Portfolio Manager



Jonathan Windust
Co-Portfolio Manager

July was a strong month returning 1.2%, and returns were positive across the key asset classes in which the Fund invests.

Within our share portfolio, the standout this month was a2 Milk (+22.8%). a2 has been a core holding in the Fund for some time, albeit given its higher risk and return profile, we have kept a small to moderate position size over time.

Other notable gains came from Origin Energy (+8.6%), new investment Growthpoint Properties (+6.6%) and Aventus (+7.9%). Aventus owns a portfolio of homeware-oriented shopping centres in Australia; and is being boosted by an improved outlook for the Australian housing sector following interest rate cuts and higher confidence. The Fund reduced its exposure to certain Australasian property stocks early in the month following a very strong run, and we have since been adding back to these positions after moderate price falls.

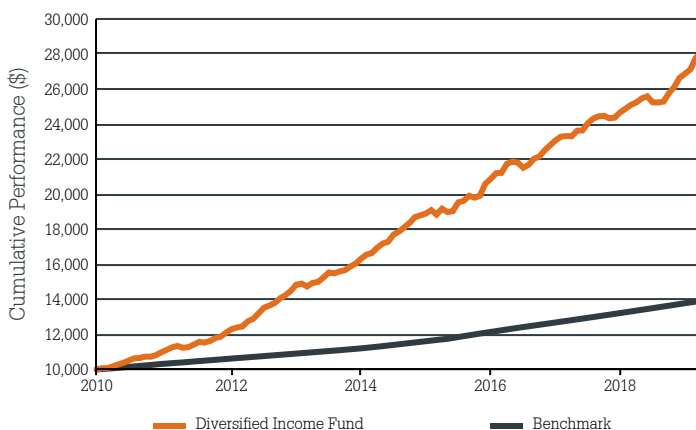
In terms of strategy, we feel the recent strong run in markets may be due a pause in the short term as the scope for further upside from monetary policy support - a key driver of recent gains - now seems low. Event risk remains, notably Brexit and the ongoing trade war. However, the low level of interest rates is driving investors globally to invest in higher-risk assets and these flows are likely to remain supportive.

Bringing this together, our overall strategic view remains 'moderately cautious', reflected in a share allocation at 33% of the Fund and high-yield bonds at 17%.

To view Milford's August 2019 Market and Economic Review please see 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

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)	\$2,418.8 M
Yield²	3.72%
Average Credit Rating	BBB+
Duration	1.03 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	0.95% (includes an est. performance fee)
Risk Indicator	<div style="display: flex; justify-content: space-between;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> Potentially lower returns Potentially higher returns </div>

Investment Performance after fees as at 31 July 2019⁵

Unit Price: \$1.8045

	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)	1.17%	4.56%	11.29%	8.93%	10.64%	11.70%
After Tax 10.50%	1.13%	4.43%	10.78%	8.29%	9.96%	10.93%
After Tax 17.50%	1.11%	4.35%	10.43%	7.87%	9.51%	10.42%
After Tax 28.00%	1.07%	4.23%	9.92%	7.24%	8.84%	9.68%
Benchmark	0.33%	1.00%	4.19%	4.25%	4.26%	3.60%

Top Equity Holdings

Holdings	% of Fund's NAV
Contact Energy	2.32%
Spark New Zealand	1.81%
Meridian Energy	1.68%
Argosy Property	1.36%
Kiwi Property Group	1.25%
Mirvac Group	1.18%
Charter Hall Long Wale REIT	1.16%
Charter Hall Education Trust	1.14%
Arena REIT	1.08%
Precinct Properties NZ	1.02%

Current Asset Allocation

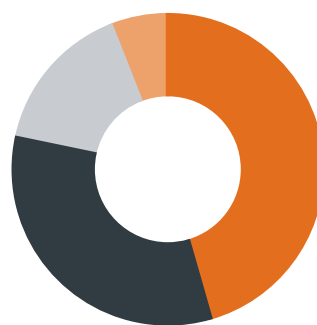
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	5.57%	5.00%
New Zealand Fixed Interest	16.02%	15.00%
International Fixed Interest	45.29%	40.00%
New Zealand Equities	10.19%	13.00%
Australian Equities	5.67%	12.00%
International Equities	0.00%	0%
Listed Property	16.84%	15.00%
Other	0.42%	0%

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
QBE 6.75% 2044	1.60%
JPMorgan 1.09% 2027	1.36%
Westpac 4.695% 2026	1.34%
Bank of America 3.458% 2025	1.22%
ASB Bank 5.25% 2026	1.21%
Mirvac Group 3.625% 2027	1.11%
Aventus Capital Float 2025	1.00%
Rabobank 4.625% 2025	0.98%
JPMorgan 5.15% 2023	0.96%
ASB Bank Float 2022	0.93%

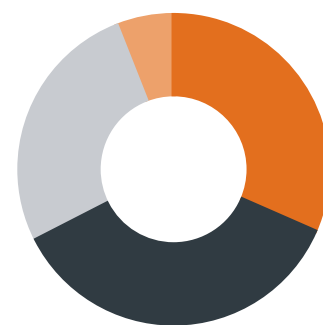
Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

Fund Portfolio Mix



Investment Grade Bonds 45.56%
High Yield & Unrated Bonds 15.75%
Shares 32.70%
Cash and Other 5.99%

Country Exposure



New Zealand 31.57%
Australia 35.89%
International 26.55%
Cash and Other 5.99%

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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