

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2019



## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

The Fund rose by 0.7% in September and is up by 11.7% in the past year. Returns were mixed across the key asset classes for the Fund this month, with modest declines in global bond markets contrasting gains in NZ and Australian shares. Against this backdrop we were pleased with the modest return the Fund generated.

Key performers in our share portfolio included Collins Foods (+16.0%), which rose following its inclusion into the ASX 200 Index, in turn reflecting strong ongoing performance for its main restaurant business (KFC) in Australia. Unibail-Rodamco-Westfield, which owns shopping malls globally, rose 12.3%, rebounding (alongside many other 'value' stocks globally) after weak performance over the past couple of quarters. NZ electricity companies including Meridian (+7.8%) were volatile during the month but we think are likely to remain reasonably well supported given stable earnings and attractive dividend yields.

On the negative side, Australian property owner and fund manager Charter Hall Group (-7.9%) fell following early signs of weaker demand in the Australian office market. Within the bond portfolio, the Fund's exposures to European banks performed well this month (up 1-2%) as the European Central Bank restarted a quantitative easing program. Looking ahead, our strategic view remains "moderately cautious" reflected in a higher level of cash (10%) and lower allocation to shares (32%) than we expect to hold over the long term. Finally, as we highlighted last month, a larger portion of the Fund (now 21%) is managed by Paul Morris, via the Trans-Tasman Bond Fund and Global Corporate Bond Fund. Reflecting this, Paul is now Co-manager of the Diversified Income Fund (previously Jonathan Windust). Jonathan will continue to be closely involved with the Fund, as for other Funds, in his role as Deputy Chief Investment Officer.

To view Milford's October 2019 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

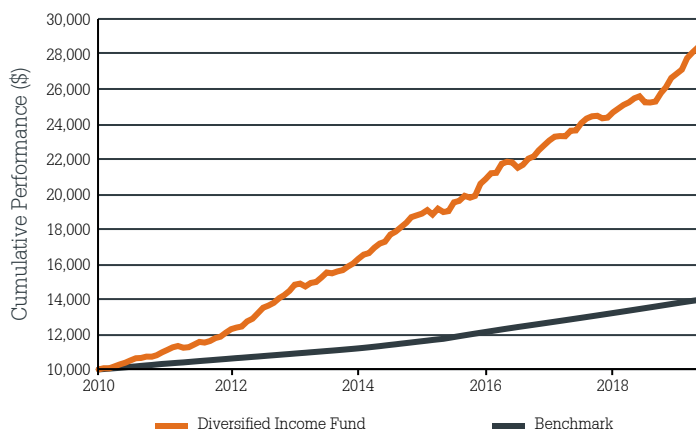
## External Ratings



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

<b>Objective<sup>1</sup></b>	Income and capital growth over a minimum of three years
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,286.0 M
<b>Yield<sup>2</sup></b>	3.43%
<b>Average Credit Rating</b>	BBB+
<b>Duration</b>	1.04 years
<b>Buy-sell Spread</b>	None
<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>	0.95% (includes an est. performance fee)
<b>Risk Indicator</b>	<div style="display: flex; justify-content: space-between;"> <span>Lower risk</span> <span>Higher risk</span> </div> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <span>1</span> <span>2</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">3</span> <span>4</span> <span>5</span> <span>6</span> <span>7</span> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <span>Potentially lower returns</span> <span>Potentially higher returns</span> </div>

## Investment Performance after fees as at 30 September 2019<sup>5</sup>

Unit Price: \$1.8181

	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)	0.72%	2.94%	11.71%	9.44%	10.58%	11.69%
After Tax 10.50%	0.66%	2.82%	11.19%	8.84%	9.92%	10.92%
After Tax 17.50%	0.62%	2.74%	10.85%	8.45%	9.48%	10.42%
After Tax 28.00%	0.56%	2.63%	10.33%	7.85%	8.82%	9.68%
Benchmark	0.28%	0.92%	4.07%	4.20%	4.25%	3.60%

### Top Equity Holdings

Holdings	% of Fund's NAV
Contact Energy	2.37%
Spark New Zealand	2.22%
Meridian Energy	1.77%
Mirvac Group	1.46%
Transurban Group	1.30%
Charter Hall Education Trust	1.24%
Charter Hall Long Wale REIT	1.23%
Arena REIT	1.07%
Aventus Retail Property	1.04%
Argosy Property	1.04%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	9.68%	5.00%
New Zealand Fixed Interest	13.05%	15.00%
International Fixed Interest	46.44%	40.00%
New Zealand Equities	10.09%	13.00%
Australian Equities	5.60%	12.00%
International Equities	0.35%	0%
Listed Property	14.79%	15.00%
Other	0.00%	0%

### Top Fixed Interest Holdings

Holdings	% of Fund's NAV
QBE 6.75% 2044	1.77%
Bank of America 3.458% 2025	1.19%
JPMorgan 1.09% 2027	1.16%
Mirvac Group 3.625% 2027	1.13%
Westpac 4.695% 2026	1.01%
JPMorgan 5.15% 2023	0.98%
Rabobank 4.625% 2025	0.96%
ASB Bank 5.25% 2026	0.95%
HSBC 6% 2023	0.85%
Westpac 2.22% 2024	0.79%

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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

Level 28, 48 Shortland Street, Auckland  
 PO Box 960, Shortland Street, Auckland 1140  
 Free phone 0800 662 345  
[milfordasset.com](http://milfordasset.com)

