

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 October 2019



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund was broadly flat in October (+0.1%) and is up by 13.4% in the past year. We feel that this was a reasonable result for the month given a backdrop of declines in NZ shares, and modest declines in global bonds and Australian shares.

The biggest impact on performance in October came from the NZ electricity sector, with declines in our key holdings Contact Energy (-13.6%) and Meridian Energy (-11.5%) following news that the Tiwai Point aluminium smelter could potentially be closed. We reduced these positions after the news, with the Fund's sector exposure now at 3.1% compared to 4.7% earlier in the month. Positively, the Fund had taken some profits in Contact earlier this year (2.2% weight in mid-October, from 3.4% earlier in the year).

On the positive side, Sydney Airport (+9.3%) reported improved passenger volumes, while several holdings in property companies made modest gains (Aventus, Mirvac, Arena).

In fixed income, the Fund was active in new issues, investing in Australian dollar bonds from Verizon (US telecom), Coles (Australian supermarket), and Origin Energy (Australian utility). We also made changes to our holdings in European bank bonds following a research visit. Looking ahead, our strategic view remains "moderately cautious" reflected in a higher level of cash (9%) and lower allocation to shares (31%) than we expect to hold over the long term.

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

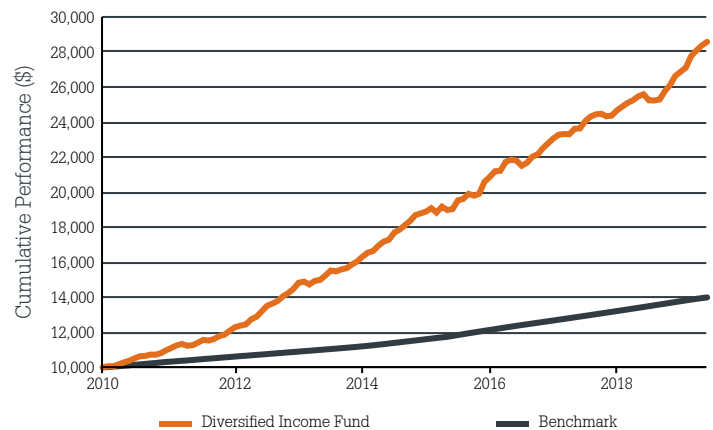
External Ratings



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)	\$2,330.3 M
Yield²	3.29%
Average Credit Rating	BBB+
Duration	1.31 years
Buy-sell Spread	None
Inception Date	1 April 2010
Current Distribution	1.1 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="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 October 2019⁵

Unit Price: \$1.8202

	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)	0.12%	1.87%	13.36%	9.99%	10.09%	11.59%
After Tax 10.50%	0.08%	1.75%	12.80%	9.39%	9.43%	10.83%
After Tax 17.50%	0.04%	1.66%	12.43%	8.98%	8.99%	10.33%
After Tax 28.00%	0.00%	1.54%	11.87%	8.38%	8.33%	9.59%
Benchmark	0.29%	0.88%	4.01%	4.17%	4.25%	3.60%

Top Equity Holdings

Holdings	% of Fund's NAV
Spark New Zealand	2.15%
Contact Energy	1.65%
Mirvac Group	1.50%
Charter Hall Education Trust	1.37%
Transurban Group	1.28%
Charter Hall Long Wale REIT	1.10%
Arena REIT	1.10%
Kiwi Property Group	1.10%
Meridian Energy	1.07%
Aventus Retail Property	1.06%

Current Asset Allocation

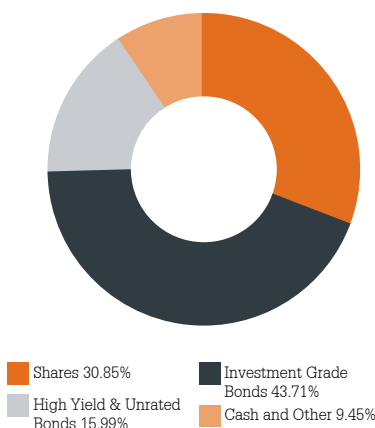
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	9.45%	5.00%
New Zealand Fixed Interest	12.95%	15.00%
International Fixed Interest	46.75%	40.00%
New Zealand Equities	8.33%	13.00%
Australian Equities	6.04%	12.00%
International Equities	1.80%	0%
Listed Property	14.68%	15.00%
Other	0.00%	0%

Top Fixed Interest Holdings

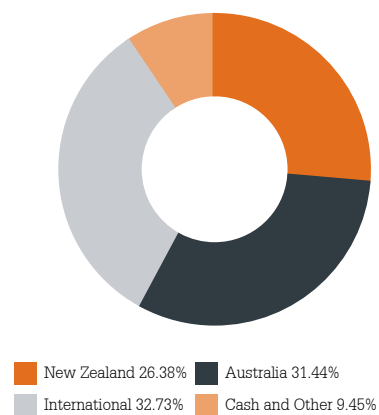
Holdings	% of Fund's NAV
QBE 6.75% 2044	1.64%
Bank of America 3.458% 2025	1.14%
JPMorgan 1.09% 2027	1.13%
Mirvac Group 3.625% 2027	1.08%
Westpac 4.695% 2026	0.98%
Rabobank 4.625% 2025	0.95%
JPMorgan 5.15% 2023	0.94%
ASB Bank 5.25% 2026	0.93%
HSBC 6% 2023	0.83%
Westpac 2.22% 2024	0.76%

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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