

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund started the year strongly, returning 1.3% in January to give a 13.4% gain over the past year. Returns were positive across all key asset classes for the Fund, with particular strength in Australia both in the share market (+5.0%), and corporate bonds (+1.6%). A key driver in Australia is lower interest rates, with the market now forecasting two more rate cuts by year-end, implying an official rate of just 0.25%.

Performance highlights in the share portfolio this month included Charter Hall Group (+16.1%), which announced higher earnings guidance following strong growth in its property funds management business, and Goodman Group (+11.4%). The Fund's new investments in the US water utility and railway sectors performed well, for example American Water Works (+10.9%) and Norfolk Southern (+7.3%). The worst performance of note was global shopping mall owner Unibail Rodamco-Westfield (-12.8%) which continues to face headwinds from weakness in the retail sector.

In fixed income, lower interest rates drove solid returns across NZ, Australian and global holdings, and we began to take profits in bonds where valuations now appear stretched (e.g. HSBC subordinated bonds). Other portfolio activity included reducing certain NZ property and retirement companies following strong performance and buying new senior bonds from ANZ.

The strategy at present remains modestly cautious. The coronavirus presents a risk to the outlook and it is likely to reinforce the need for lower interest rates globally. Those low interest rates should support performance over time for higher dividend paying shares. Hence, we are adding exposure in this area, with a focus on resilient high-quality companies.

To view Milford's February 2020 Market and Economic Review please see milfordasset.com/fact-sheet.

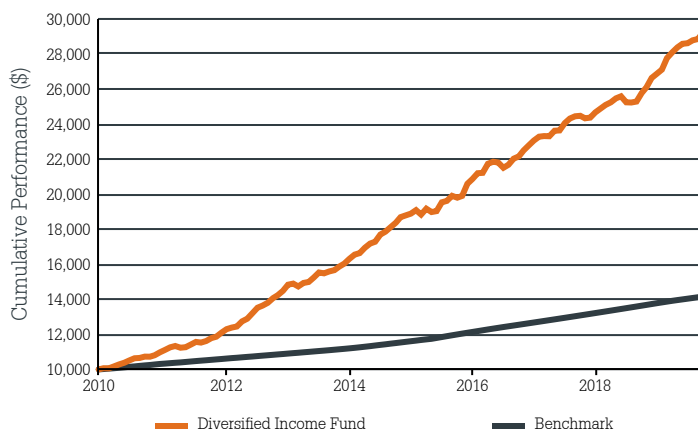
External Ratings



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) | \$2,501.1 M |
| Yield² | 3.13% |
| Average Credit Rating | BBB+ |
| Duration | 0.81 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="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 January 2020⁵

Unit Price: \$1.848

| | 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) | 1.33% | 2.18% | 13.44% | 9.69% | 9.74% | 11.52% |
| After Tax 10.50% | 1.31% | 2.04% | 12.82% | 9.14% | 9.08% | 10.77% |
| After Tax 17.50% | 1.30% | 1.95% | 12.41% | 8.77% | 8.65% | 10.26% |
| After Tax 28.00% | 1.28% | 1.82% | 11.79% | 8.21% | 7.99% | 9.53% |
| Benchmark | 0.29% | 0.87% | 3.82% | 4.10% | 4.24% | 3.60% |

Top Equity Holdings

| Holdings | % of Fund's NAV |
|------------------------------|-----------------|
| Spark New Zealand | 2.10% |
| Contact Energy | 1.65% |
| Transurban Group | 1.57% |
| Mirvac Group | 1.40% |
| Charter Hall Education Trust | 1.19% |
| Aventus Retail Property | 1.04% |
| Arena REIT | 1.02% |
| Kiwi Property Group | 0.99% |
| Charter Hall Group | 0.99% |
| Goodman Group | 0.90% |

Current Asset Allocation

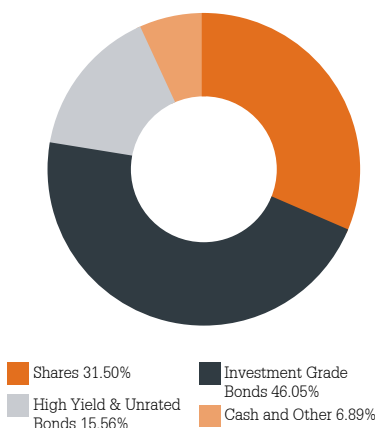
| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Cash and Cash Equivalents | 6.47% | 5.00% |
| New Zealand Fixed Interest | 13.45% | 15.00% |
| International Fixed Interest | 48.16% | 40.00% |
| New Zealand Equities | 7.70% | 13.00% |
| Australian Equities | 5.75% | 12.00% |
| International Equities | 3.41% | 0% |
| Listed Property | 14.64% | 15.00% |
| Other | 0.42% | 0% |

Top Fixed Interest Holdings

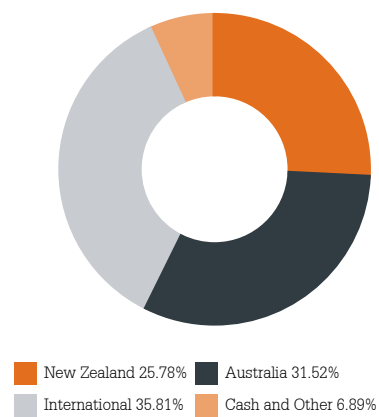
| Holdings | % of Fund's NAV |
|-----------------------------|-----------------|
| QBE 6.75% 2044 | 1.51% |
| Westpac 2.63% 2020 | 1.30% |
| Bank of America 3.458% 2025 | 1.07% |
| JPMorgan 1.09% 2027 | 1.04% |
| Mirvac Group 3.625% 2027 | 1.03% |
| Lendlease 4.5% 2026 | 0.94% |
| Rabobank 4.625% 2025 | 0.87% |
| ASB Bank 5.25% 2026 | 0.86% |
| Westpac 4.695% 2026 | 0.84% |
| JPMorgan 5.15% 2023 | 0.80% |

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

Fund Portfolio Mix



Region 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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