

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 29 February 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund made a loss of 1.2% in February, now flat this year, and up by 10.7% in the past year. This was a somewhat pleasing result against a very negative market backdrop.

The key positive contributors to Fund returns this month were firstly, our holdings of higher quality bonds (Australasian investment grade bonds returned 0.7%), and secondly a protection strategy we initiated mid-month which benefited from the subsequent decline in the US equity market (specifically, the Fund purchased put options on US shares).

In addition to this, the Fund was active with other strategies designed to protect capital. These included i) increasing the Fund's exposure to interest rates, to benefit from our expectation of rate cuts from global central banks; ii) reducing exposure to select corporate bonds; iii) reducing certain shares most exposed to virus risks (for example, Sydney Airport).

While the situation remains fluid, our current view is that global economic growth is being materially disrupted, albeit the duration of this remains uncertain. On the positive side, significant government and central bank support will follow, and market valuations have improved somewhat. Having described the Fund's strategy as 'moderately cautious' for several months, current positioning is now cautious, reflected for example in lower exposure to shares (21%) and a higher cash balance (14%). This could change reasonably quickly if valuations and/or risks improve notably over coming weeks and months.

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

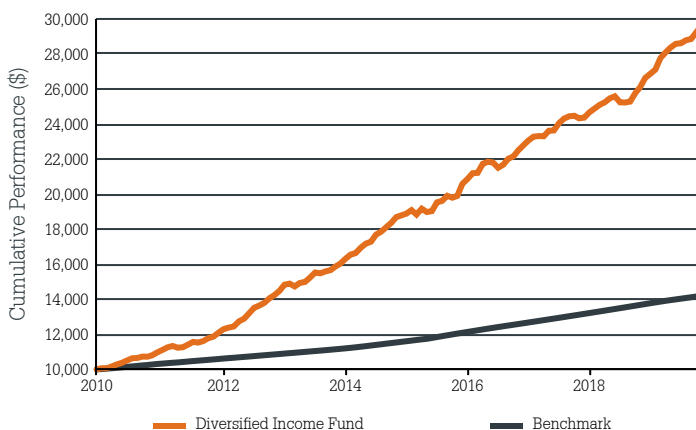
External Awards



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)	\$2,476.8 M
Yield²	2.65%
Average Credit Rating	BBB+
Duration	1.52 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 29 February 2020⁵

Unit Price: \$1.8155

	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)	-1.16%	0.41%	10.74%	8.71%	9.11%	11.29%
After Tax 10.50%	-1.22%	0.26%	10.13%	8.15%	8.45%	10.54%
After Tax 17.50%	-1.26%	0.16%	9.72%	7.79%	8.02%	10.04%
After Tax 28.00%	-1.32%	0.01%	9.11%	7.24%	7.38%	9.31%
Benchmark	0.27%	0.86%	3.77%	4.09%	4.24%	3.60%

Top Equity Holdings

Holdings	% of Fund's NAV
Spark New Zealand	2.17%
Transurban Group	2.04%
Mirvac Group	1.74%
Contact Energy	1.47%
Charter Hall Education Trust	1.26%
Charter Hall Group	1.14%
Arena REIT	1.02%
GPT Group	1.02%
Goodman Group	0.92%
Aventus Retail Property	0.91%

Current Asset Allocation

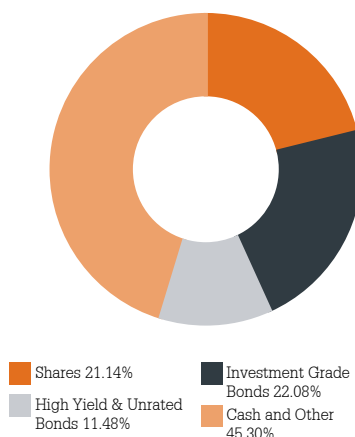
	Actual Investment Mix	Neutral Investment Mix
Cash and Cash Equivalents	45.30%	5.00%
New Zealand Fixed Interest	13.40%	15.00%
International Fixed Interest	20.16%	40.00%
New Zealand Equities	4.45%	13.00%
Australian Equities	0.94%	12.00%
International Equities	0.00%	0%
Listed Property	15.75%	15.00%
Other	0.00%	0%

Top Fixed Interest Holdings

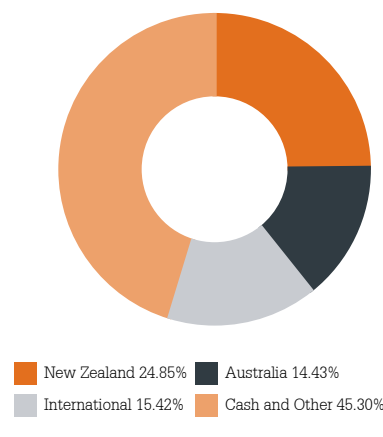
Holdings	% of Fund's NAV
Westpac 2.63% 2020	1.30%
Lendlease 4.5% 2026	1.26%
Bank of America 3.458% 2025	1.12%
Mirvac Group 3.625% 2027	1.09%
JPMorgan 1.09% 2027	1.07%
Westpac 2.59% 2020	0.97%
Rabobank 4.625% 2025	0.89%
ASB Bank 5.25% 2026	0.86%
Westpac 4.695% 2026	0.84%
JPMorgan 5.15% 2023	0.81%

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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