

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 March 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund lost 8.8% in March, erasing gains in earlier months to now be down 1.1% in the past year. This was a very disappointing result for the month. The Fund was cautiously positioned at the end of February, with exposure to shares and high-yield bonds at the lowest we have carried since 2010. However, as economies across the world shut down declines were rapid and pervasive across all asset classes. Against this backdrop our positioning - while cushioning the impact - was not cautious enough to prevent losses.

Declines in several of the core markets in which the Fund invests were sharper than in the worst month of the Global Financial Crisis - for example global investment grade corporate bonds fell 7.3%, high-yield bonds fell 13.5%, and listed property shares fell 20.6% and 35.1% in NZ and Australia respectively. Listed property is particularly exposed to this crisis given that many commercial buildings are currently closed to tenant entry, albeit this will not persist over the medium term.

Our strategy this month has been focussed on attempting to preserve capital. This has involved reducing exposure to key areas of concern, in particular listed property shares which now comprise 5% of the Fund, from 15% a month ago. At the same time, particularly given a high level of government support, we are finding attractive opportunities emerging in certain high-quality companies that we believe will be resilient to medium-term economic challenges. For example, the Fund has added exposure to investment grade corporate bonds selectively.

Looking ahead, our view remains that global economic growth is being materially disrupted, although the duration of this remains uncertain. The Fund strategy remains cautious, reflected for example in lower exposure to shares (12%) and a higher cash balance (20%). This could change reasonably quickly if valuations and/or risks improve notably over coming weeks and months.

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

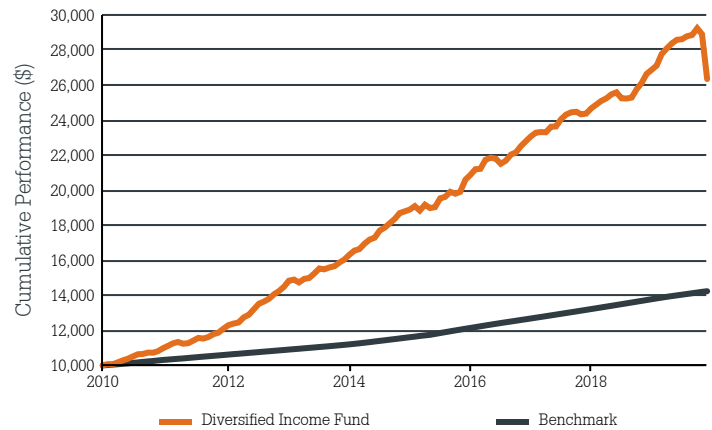
External Ratings



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)	\$2,116.1 M
Yield²	2.57%
Average Credit Rating	A-
Duration	1.61 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; align-items: center;"> Lower risk Higher risk </div> <div style="display: flex; justify-content: center; align-items: center; margin: 5px 0;"> 1 2 3 4 5 6 7 </div> <div style="display: flex; justify-content: space-between; align-items: center;"> Potentially lower returns Potentially higher returns </div>

Investment Performance after fees as at 31 March 2020⁵

Unit Price: \$1.6542

	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)	-8.85%	-8.71%	-1.09%	4.95%	6.99%	10.17%
After Tax 10.50%	-8.72%	-8.65%	-1.44%	4.49%	6.40%	9.44%
After Tax 17.50%	-8.64%	-8.62%	-1.68%	4.18%	6.00%	8.96%
After Tax 28.00%	-8.52%	-8.57%	-2.03%	3.72%	5.42%	8.26%
Benchmark	0.26%	0.83%	3.68%	4.06%	4.22%	3.59%

Top Equity Holdings

Holdings	% of Fund's NAV
Spark New Zealand	1.92%
Transurban Group	1.73%
Contact Energy	1.47%
Mirvac Group	1.20%
American Waters Works	1.00%
Charter Hall Long Wale REIT	0.81%
Essential Utilities Inc	0.73%
a2 Milk Company	0.65%
Charter Hall Education Trust	0.57%
Investore Property	0.54%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash [#]	49.77%	5.00%
New Zealand Fixed Interest	13.52%	15.00%
International Fixed Interest	24.77%	40.00%
New Zealand Equities	6.08%	13.00%
Australian Equities	0.00%	12.00%
International Equities	0.67%	0%
Listed Property	5.19%	15.00%
Other	0.00%	0%

[#] The actual cash held by the Fund is 20.25%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

Holdings	% of Fund's NAV
United States Treasury 0% 2020	1.58%
Lendlease 4.5% 2026	1.56%
Westpac 2.63% 2020	1.51%
Bank of America 3.458% 2025	1.31%
Mirvac Group 3.625% 2027	1.27%
JPMorgan 1.09% 2027	1.18%
Westpac 2.59% 2020	1.13%
ASB Bank 5.25% 2026	0.95%
Westpac 4.695% 2026	0.94%
NZ Government Bond 6% 2021	0.81%

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

Fund Portfolio Mix



Shares 11.93%
Investment Grade Bonds 27.58%
High Yield & Unrated Bonds 10.72%
Cash and Other 49.77%

Region Exposure



New Zealand 21.82%
Australia 9.10%
International 19.31%
Cash and Other 49.77%

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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