

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund was up by 1.6% in May. We were reasonably happy with this result given the Fund's lower risk positioning. Market gains this month were solid across most asset classes, with gains in share markets in May driven by higher growth in cyclical parts of the market, rather than more defensive dividend-oriented companies.

The Fund remained very active this month, especially in our Australian shareholdings where exposure was increased from 10% to 15%. While we are feeling more upbeat about the economic outlook in Australia, the Fund's additional investments in Australia have been predominantly in strong, stable companies that we believe will be more resilient to a likely slow economic recovery, or additional risks from the virus. Examples include Woolworths and Coles supermarkets, Wesfarmers (owner of Bunnings) and Telstra. These offer reasonable dividend yields (3-5%) and medium-term growth, relative to their risk. They also provide an important replacement in terms of portfolio income for our holdings in property companies, where we see structural and cyclical risks in retail and office segments. Thus, the Fund's exposure to property shares (8% currently) remains much lower than had been typical over recent years (15-20%). Our property holdings are largely in sectors we consider more stable medium term such as supermarket and childcare landlords, with smaller opportunistic allocations to other companies.

In fixed income this month, the Fund continued to actively invest in new issues including Woolworths, Spark and UBS, where valuations remain attractive compared to cash. In terms of strategy, May was an encouraging month regarding the virus as economic and social 'reopening' occurred in many parts of the world, alongside generally manageable 'second waves'. Given this, and with monetary and fiscal policy support still flowing strongly, we feel more positive about the outlook. This has been reflected in Fund positioning with total shares now at 28% and fixed income at 55% (from 21% and 39% in February, for example). Having said that, we still believe a reasonably cautious approach is warranted from here. This is due to market valuations that are becoming more elevated, set alongside a number of key uncertainties including the virus itself, geopolitics, and the medium-term strength of the economic recovery. Consistent with the Fund's low-to-medium risk profile, our strategy looking ahead is still to tread carefully; focusing our current investments on higher quality, more resilient companies, albeit these may not deliver the highest returns in the event of positive economic and virus news.

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

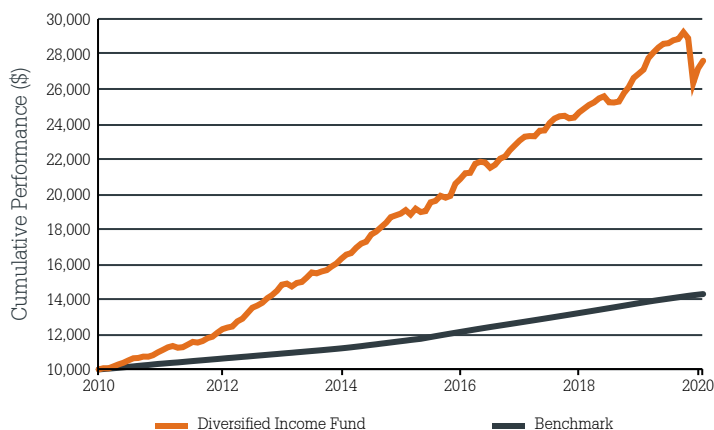
External Ratings



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)	\$2,226.4 M
Yield²	2.81%
Average Credit Rating	A-
Duration	1.23 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 May 2020⁵

Unit Price: \$1.7227

	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)	1.62%	-4.45%	1.86%	5.85%	7.66%	10.50%
After Tax 10.50%	1.55%	-4.48%	1.39%	5.38%	7.05%	9.77%
After Tax 17.50%	1.49%	-4.50%	1.08%	5.06%	6.65%	9.28%
After Tax 28.00%	1.42%	-4.53%	0.62%	4.59%	6.05%	8.57%
Benchmark	0.23%	0.72%	3.44%	3.97%	4.19%	3.58%

Top Equity Holdings

Holdings	% of Fund's NAV
Transurban Group	2.09%
Spark New Zealand	1.99%
Contact Energy	1.41%
Mirvac Group	1.29%
Woolworths	1.25%
American Waters Works	0.97%
Charter Hall Education Trust	0.87%
Charter Hall Long Wale REIT	0.78%
GPT Group	0.77%
Shopping Centres Australia	0.76%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	16.94%	5.00%
New Zealand Fixed Interest	14.13%	15.00%
International Fixed Interest	40.50%	40.00%
New Zealand Equities	7.00%	13.00%
Australian Equities	8.34%	12.00%
International Equities	5.24%	0%
Listed Property	7.62%	15.00%
Other	0.23%	0%

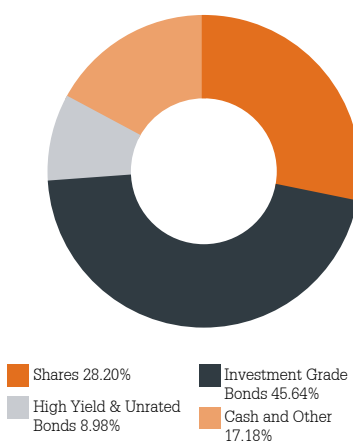
The actual cash held by the Fund is 9.18%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

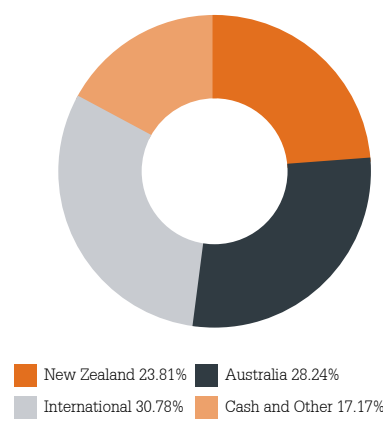
Holdings	% of Fund's NAV
NZ Government Bond 2.75% 2025	1.59%
United States Treasury 0% 2020	1.44%
NZLGF 1.5% 2026	1.43%
Mirvac Group 3.625% 2027	1.18%
JPMorgan 1.09% 2027	1.15%
Lendlease 4.5% 2026	1.07%
ASB Bank 5.25% 2026	0.93%
Westpac 4.695% 2026	0.91%
ASB Bank 1.83% 2024	0.76%
BLL 1.5% 2027	0.72%

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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