

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 July 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund had a strong month in July rising by 1.4%. Key areas of strength were global corporate bonds, and to a lesser extent NZ shares, with weaker returns from our Australian shareholdings following the escalating virus outbreak in Victoria.

Highlights in the Fund's share portfolio were Summerset (NZ retirement villages, +21.5%), American Water (water utility, +14.5%), and Goodman Group (global industrial property owner and developer, +14.0%). American Water is the largest of the Fund's global utility/infrastructure holdings. We continue to see attractive opportunities in these sectors internationally, with our research here supported by last year's specialist hire in Sydney (Dan Simmonds).

On the negative side, NZ electricity companies were soft following news of the Tiwai smelter closure, particularly Contact Energy (-6.7%). Our positioning in this sector has been cautious since last October when a strategic review for the smelter was announced. Over the month, we used weakness as an opportunity to add to holdings in both Contact and Meridian as we believe that valuations were attractive relative to medium-term earnings potential.

In fixed income, we continue to see valuations as generally attractive compared to cash and government bonds, and hence the Fund made further investments including in Ardagh, a global packaging company, and Societe Generale, a French bank.

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

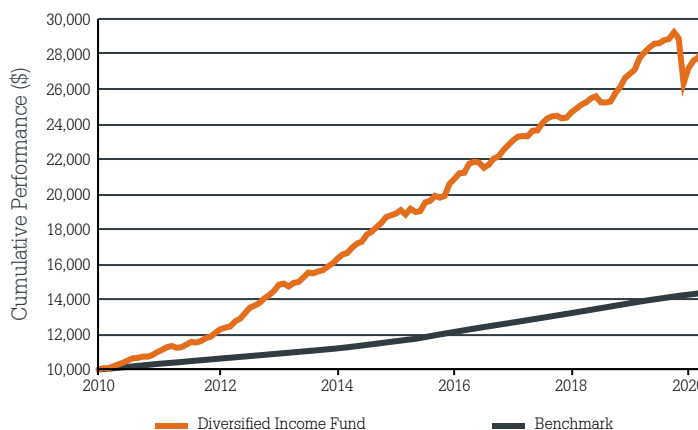
External Ratings



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)	\$2,300.3 M
Yield²	2.56%
Average Credit Rating	BBB+
Duration	1.09 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 July 2020⁵

Unit Price: \$1.7585

	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)	1.43%	3.74%	0.36%	6.55%	8.01%	10.55%
After Tax 10.50%	1.36%	3.52%	-0.13%	6.05%	7.39%	9.81%
After Tax 17.50%	1.31%	3.37%	-0.46%	5.72%	6.98%	9.32%
After Tax 28.00%	1.24%	3.14%	-0.95%	5.22%	6.37%	8.60%
Benchmark	0.23%	0.69%	3.23%	3.89%	4.16%	3.57%

Top Equity Holdings

Holdings	% of Fund's NAV
Spark New Zealand	2.14%
Contact Energy	2.02%
Transurban Group	1.96%
Woolworths	1.71%
Telstra Corp	1.44%
Mirvac Group	1.12%
Wesfarmers	1.04%
American Waters Works	1.01%
GPT Group	1.00%
Atlas Arteria	1.00%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	5.96%	5.00%
New Zealand Fixed Interest	13.53%	15.00%
International Fixed Interest	46.19%	40.00%
New Zealand Equities	8.50%	13.00%
Australian Equities	10.48%	12.00%
International Equities	6.28%	0%
Listed Property	9.05%	15.00%
Other	0.01%	0%

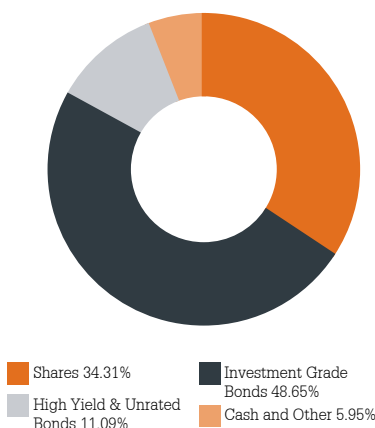
The actual cash held by the Fund is 4.43%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

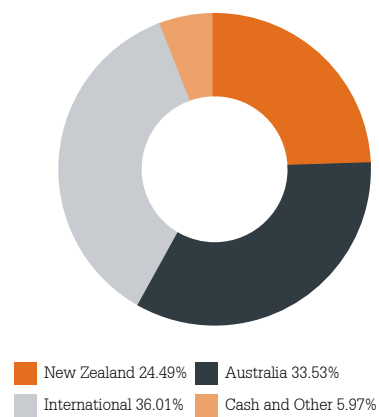
Holdings	% of Fund's NAV
NZ Government Bond 2.75% 2025	1.54%
NZLGFA 1.5% 2026	1.38%
JPMorgan 1.09% 2027	1.12%
Mirvac Group 3.625% 2027	1.08%
Lendlease 4.5% 2026	0.97%
ASB Bank 5.25% 2026	0.89%
Westpac 4.695% 2026	0.89%
ASB Bank 1.83% 2024	0.74%
UBS Float 2025	0.71%
Kerry Group 0.625% 2029	0.71%

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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