

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 30 September 2020



Portfolio Managers



David Lewis
Portfolio Manager



Paul Morris
Co-Portfolio Manager

The Fund return was flat for the month and is also now flat over the past year. Most of the markets in which the Fund invests were lower this month, with declines of between 1% and 4% for NZ shares, Australian shares, global high-yield bonds, and global shares. Positive returns were seen in investment grade corporate bonds in both NZ and Australia as interest rates in those markets fell further.

Within our share portfolio, we saw strong performance this month from two larger holdings - Australian toll road owner Transurban (+4.8%, benefitting from easing in the Victorian lockdown) and Contact Energy (+6.4% on news that the government was negotiating a deal for the Tiwai aluminium smelter to remain for a further 3-5 years). Several of the Fund's holdings in Australian listed property companies also performed well including Arena (childcare landlord, +7.2%) and Mirvac (diversified landlord and developer, +3.3%). At the weaker end was a2 Milk (-17.5%), a smaller holding at 0.5% of the Fund. The Fund added new shareholdings in Fisher & Paykel Healthcare, following share price weakness, and global miner BHP, which offers a solid balance sheet and alternate source of income (~5% dividend yield) compared to other exposures in the Fund.

In fixed income, the notable addition this month was a new hybrid debt issue from Australian retail landlord Scentre Group. Retail property is a difficult sector in the pandemic, but this instrument ranks senior to ordinary shareholders and we feel the 5% yield is attractive for the risk. The Fund has taken a meaningful exposure (1.9% holding). Looking ahead, we have moderate concerns around the election and fiscal support negotiations in the US, and the virus situation in Europe. These all present key risks to the outlook. However, we believe that a gradual ongoing economic recovery, supported by central banks and a potential vaccine, is the most likely outcome as we look into the first half of 2021. This, alongside moderately supportive valuations in most shares in the Fund (including attractiveness compared to very low bond yields), supports the current higher level of equity exposure (41%) relative to recent years.

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

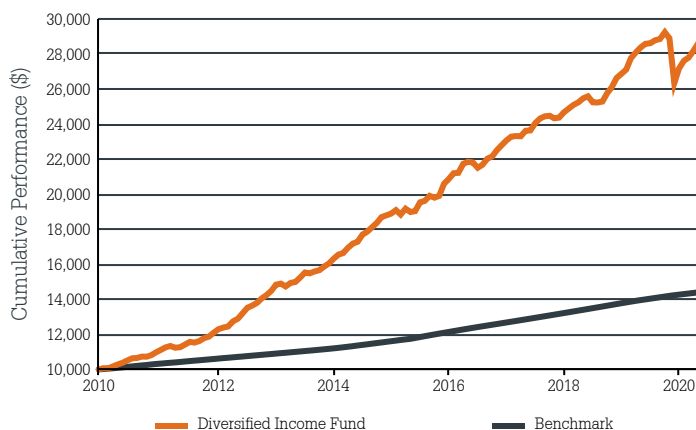
External Ratings



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)	\$2,333.6 M
Yield²	2.74%
Average Credit Rating	BBB
Duration	1.76 years
Buy-sell Spread	None - swing pricing applies (see PDS for details)
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;"> 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 30 September 2020⁵

Unit Price: \$1.7737

	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)	0.03%	3.02%	0.19%	6.60%	8.51%	10.53%
After Tax 10.50%	0.01%	2.86%	-0.32%	6.10%	7.88%	9.80%
After Tax 17.50%	-0.01%	2.75%	-0.65%	5.77%	7.47%	9.31%
After Tax 28.00%	-0.03%	2.59%	-1.15%	5.28%	6.86%	8.60%
Benchmark	0.22%	0.69%	3.10%	3.80%	4.11%	3.55%

Top Equity Holdings

Holdings	% of Fund's NAV
Contact Energy	2.58%
Spark New Zealand	2.49%
Transurban Group	1.96%
Woolworths	1.80%
Goodman Group	1.56%
Coles Group	1.41%
Meridian Energy	1.32%
Mirvac Group	1.19%
Wesfarmers	1.10%
Charter Hall Education Trust	1.02%

Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.89%	5.00%
New Zealand Fixed Interest	10.57%	10.00%
International Fixed Interest	43.81%	45.00%
New Zealand Equities	10.22%	6.50%
Australian Equities	10.43%	10.00%
International Equities	8.64%	5.00%
Listed Property	11.44%	18.50%
Other	0.00%	0%

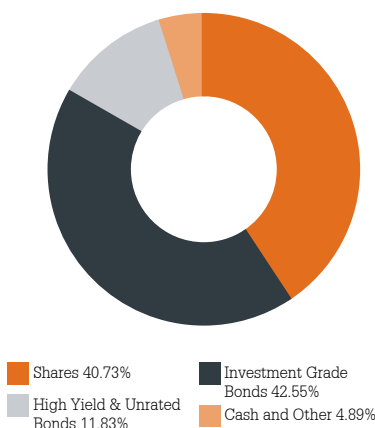
The actual cash held by the Fund is 2.64%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

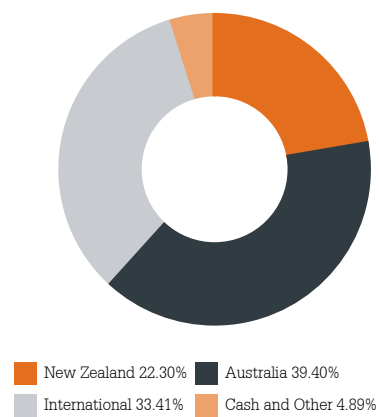
Holdings	% of Fund's NAV
Scentre Group 5.125% 2080	1.92%
NZLGFA 1.5% 2026	1.35%
AusNet Float 2080	1.11%
Mirvac Group 3.625% 2027	1.03%
Lendlease 4.5% 2026	0.94%
CBA Float 2030	0.90%
ASB Bank 5.25% 2026	0.86%
Westpac 4.695% 2026	0.85%
Kerry Group 0.625% 2029	0.69%
JPMorgan 1.09% 2027	0.68%

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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