

# Milford Diversified Income Fund (AU)

October 2020

## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager



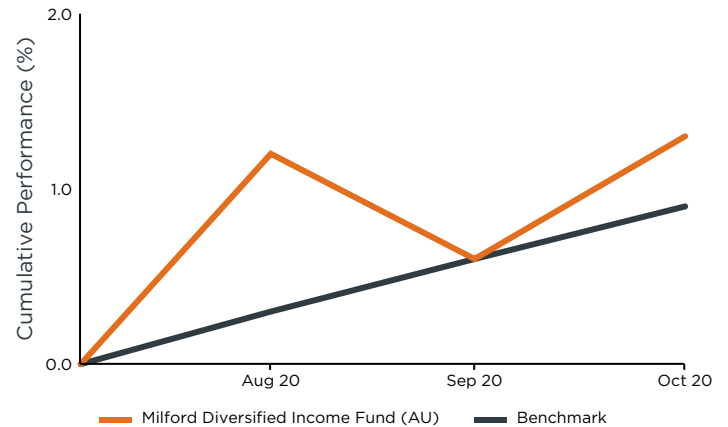
**Dan Simmonds**  
Co-Portfolio Manager

The Fund was up by 0.7% in October, with strong returns early in the month moderating as the virus situation in the US and especially Europe deteriorated. Returns were mixed across the Fund's key asset classes this month with gains in higher yielding bonds (0.5%) and to a lesser extent in investment grade bonds, while shares were strong in Australia (+1.9%) but lower internationally.

Within our share portfolio, NZ electricity companies Contact (+11.0%) and Meridian (+7.1%) made strong gains, reflecting the improved outlook for the Tiwai smelter, and strong international investor demand earlier in the month. We used this to take some profits in these holdings. Other highlights included SCA property, a landlord for supermarkets and small malls. It rose 9%, supported by a solid earnings announcement and reinstatement of dividend guidance. We continue to like the stock's valuation, and non-discretionary profile of their tenants. In fixed income, we added to holdings in UBS, JP Morgan and Lendlease. We also increased interest rate duration in the Fund modestly, to 2.0 years.

In the short term, our strategy is slightly more cautious given uncertainty from the US election and the economic impact of renewed social distancing measures in many countries. Looking into 2021 however, we see more reason for optimism - our base case includes a vaccine, continued strong policy support, and a gradually improving economy. Bringing those together, we have reduced certain share exposures, but changes have been modest with overall shares now at 41.5% of the Fund.

## Investment Performance to October 2020\*



\* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

## Key Fund Facts

<b>Objective</b>	Provide a regular income as well as providing moderate capital growth, while seeking to preserve capital over rolling two-year periods.
<b>Description</b>	A diversified portfolio that primarily invests in fixed interest and equity income generating securities.
<b>Benchmark</b>	RBA Cash Rate + 3.5% p.a.
<b>APIR</b>	ETL1908AU
<b>Redemption Price as at 31 Oct</b>	\$1.0079
<b>NAV as at 31 Oct</b>	\$11.3 Million
<b>Inception Date</b>	August 2020
<b>Minimum Investment</b>	\$20,000
<b>Recommended Investment Timeframe</b>	3 years +
<b>Buy-sell Spread</b>	+/-0.15%
<b>Entry/Exit Fee</b>	Nil
<b>Distribution Frequency*</b>	Monthly
<b>Running Yield</b>	2.8%
<b>Management Fee**</b>	0.70%
<b>Capped Expense Recovery**</b>	0.05%
<b>Fund Pricing</b>	Daily

\* Current monthly estimated distribution 0.18 cents per unit.

\*\* Fees are stated exclusive of GST.

## Investment Performance to October 2020\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception**
Milford Diversified Income Fund (AU)	0.72%	-	-	-	-	1.30%
Benchmark	0.31%	-	-	-	-	0.93%
Over/Underperformance	0.41%	-	-	-	-	0.37%

Past performance is not a reliable indicator of future performance.

\* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

\*\* Inception date of the Fund is 3 August 2020.

## Top Equity Holdings

Holdings	% of Fund
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	Neutral	Maximum Range
Cash and Other <sup>#</sup>	4.73%	5%	0-60%
Australian Fixed Interest	24.55%	20%	0-70%
International Fixed Interest	30.46%	35%	0-70%
Australian Equities	15.83%	20%	10-50%
International Equities	13.37%	5%	0-40%
Listed Property	11.06%	15%	0-30%

<sup>#</sup> Cash and Other reported above is adjusted to reflect the Fund's notional positions.

## Top Fixed Interest Holdings

Holdings	% of Fund
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 Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report. There have been no changes to the key service providers or individuals playing a key role in investment since the PDS was issued.