

# Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 January 2021



## Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

The Fund fell 0.3% in January and is up by 3.3% in the past year.

Shares prices across the NZ electricity sector surged in early January, as offshore investor support for clean energy investments jumped following the Democratic party's win in US Senate elections. We used this strength as an opportunity to reduce two of the Fund's larger holdings, Contact Energy and Meridian, locking in gains from earlier purchases when the closure of the Tiwai smelter was initially announced. Prices fell back later in the month as offshore buying moderated. Looking ahead we anticipate further price volatility in these companies as ETF holdings change, and this may provide an opportunity to increase the Fund's exposure again - from a fundamental and valuation perspective we believe they remain attractive medium term income investments.

Elsewhere in our share portfolio, we saw strong gains from consumer stocks in Australia (Wesfarmers +8.4%), while Australian property companies were weak given market concerns on the virus and interest rates (Mirvac -9.8% and Goodman Group -6.5%).

In fixed income, Fund returns were cushioned by a strategy we implemented late last year to benefit from potential interest rate increases, while key additions included a Westpac subordinated bond (in Australian dollars) and Verisure, a European high yield issuer which sells home alarm systems. We remain optimistic about prospects for economic growth this year as both fiscal and monetary policy support, and vaccines, should drive a rebound in activity globally. Alongside generally fair valuations for our holdings this suggests a reasonably positive outlook for shares, while fixed income returns will be muted by very low interest rates.

To view Milford's February 2021 Market and Economic Review please see [milfordasset.com/fact-sheet](http://milfordasset.com/fact-sheet).

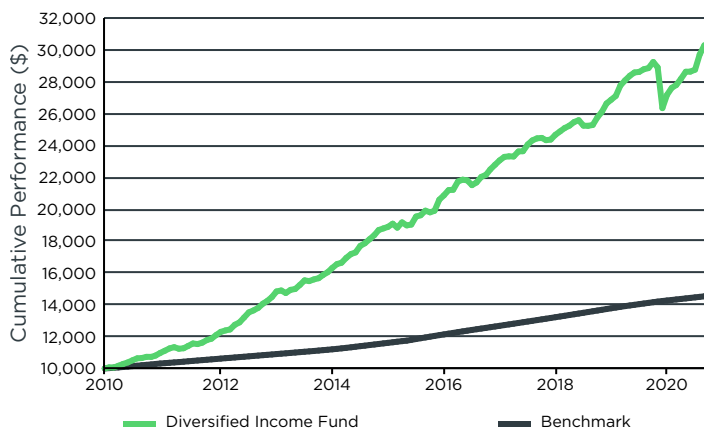
## External Ratings



Milford Diversified Income Fund received a Morningstar Analyst Rating™ of 'Silver' on 17-04-2019

## Cumulative Fund Performance

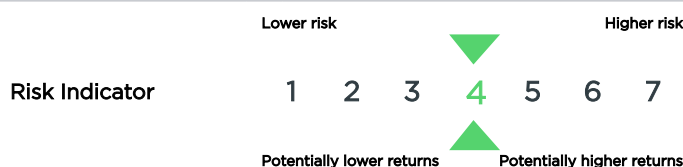
(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date, and assumes reinvestment of distribution.

## Key Fund Facts

<b>Objective<sup>1</sup></b>	Income and capital growth over a minimum of three years
<b>Description</b>	Diversified fund that primarily invests in fixed interest and equity income-generating securities
<b>Target Allocation</b>	60% Income Assets / 40% Growth Assets
<b>Neutral FX Exposure</b>	0%
<b>Net Asset Value (NAV)</b>	\$2,479.9 M
<b>Yield<sup>2</sup></b>	2.67%
<b>Average Credit Rating</b>	BBB
<b>Duration</b>	0.98 years
<b>Buy-sell Spread</b>	None - swing pricing applies (See PDS for details)
<b>Inception Date</b>	1 April 2010
<b>Current Distribution</b>	1.1 cents per unit (Quarterly)
<b>Benchmark</b>	OCR + 2.5% p.a.
<b>Base Fund Fee<sup>3</sup></b>	0.65%
<b>Performance Fee</b>	10% of the Fund's returns above the Benchmark <sup>1</sup> , subject to the high watermark.
<b>Total Fund Fees<sup>4</sup></b>	0.95% (includes an est. performance fee)



## Diversified Income Fund as at 31 January 2021

### Investment Performance after fees as at 31 January 2021<sup>5</sup>

Unit Price: \$1.8585

	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)	-0.32%	4.99%	3.25%	7.25%	8.80%	10.73%
After Tax 10.50%	-0.34%	4.83%	2.71%	6.75%	8.15%	9.99%
After Tax 17.50%	-0.36%	4.73%	2.34%	6.42%	7.72%	9.51%
After Tax 28.00%	-0.39%	4.58%	1.80%	5.92%	7.08%	8.79%
Benchmark	0.23%	0.69%	2.85%	3.64%	3.95%	3.53%

### Top Equity Holdings

Holdings	% of Fund
Spark	2.23%
Contact Energy	2.03%
Woolworths	1.75%
Wesfarmers	1.73%
Telstra	1.52%
Transurban	1.49%
Goodman	1.48%
Coles	1.35%
Meridian	1.22%
Charter Hall Social Infra.	1.02%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	4.89%	5.00%
New Zealand Fixed Interest	9.16%	10.00%
International Fixed Interest	42.73%	45.00%
New Zealand Equities	10.65%	6.50%
Australian Equities	12.60%	10.00%
International Equities	8.33%	5.00%
Listed Property	10.88%	18.50%
Other	0.76%	0%

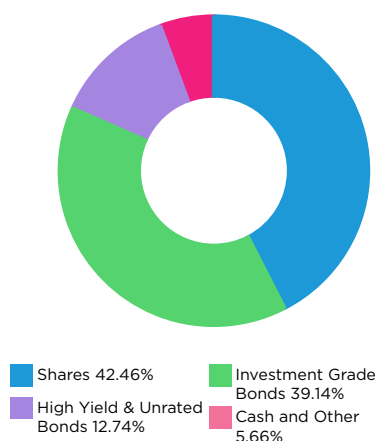
# The actual cash held by the Fund is 3.60%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

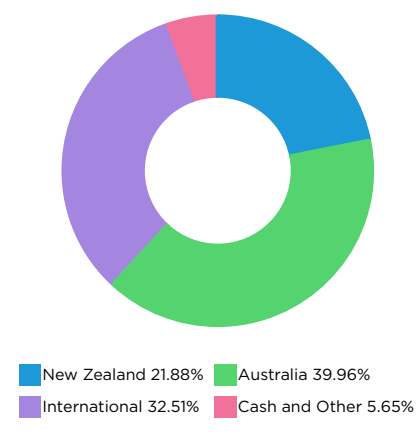
Holdings	% of Fund
Scentre Group 5.125% 2080	2.02%
AusNet Float 2080	1.00%
Mirvac Group 3.625% 2027	0.89%
ASB Bank 5.25% 2026	0.87%
Aventus Float 2025	0.79%
NAB Float 2030	0.78%
Westpac Float 2031	0.77%
Westpac 4.695% 2026	0.76%
Westpac 5% 2027	0.64%
Kerry Group 0.625% 2029	0.60%

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](http://milfordasset.com/fact-sheet) for more information about the data published within this document.

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