

# Milford Diversified Income Fund (AU)

## January 2021



### Portfolio Managers



**David Lewis**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

The Fund fell 0.6% in January and is up by 6.2% in the opening six months from its August inception.

A small move higher in global interest rates led to modestly negative returns in fixed income this month, while equity markets were mixed with modest underperformance from income shares.

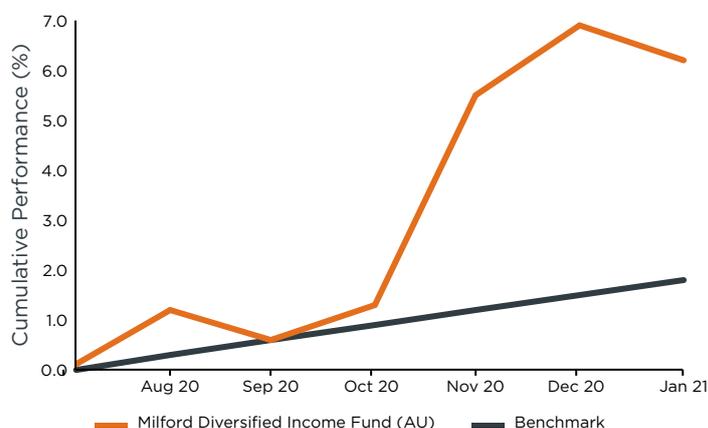
Within the Fund's share portfolio, our holdings in the NZ electricity sector surged in early January, as offshore investor support for clean energy investments jumped following the Democratic party's win in US Senate elections. We used this strength as an opportunity to reduce exposure to both Contact Energy and Meridian. 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 equity portfolio, there were solid gains from the Fund's two largest exposures Wesfarmers (+8.4%) and Woolworths (+3.9%). We continue to see reasonable valuation support and medium-term earnings growth ahead for both.

The Australian property sector was weak given market concerns on the new virus strains 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 (using swap and futures markets) to benefit from interest rate increases, while key additions included a Westpac subordinated bond and Verisure, a European high yield issuer which sells home alarm systems.

In terms of strategy, 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.

### Investment Performance to January 2021\*



\* 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>mFund Code</b>	MFA03
<b>Redemption Price as at 31 Jan</b>	\$1.0509
<b>NAV as at 31 Jan</b>	\$12.5 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>	3.0%
<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 January 2021\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception**
Milford Diversified Income Fund (AU)	-0.64%	-	-	-	-	6.18%
Benchmark	0.30%	-	-	-	-	1.84%
Over/Underperformance	-0.94%	-	-	-	-	4.34%

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
Woolworths	2.67%
Wesfarmers	2.56%
Telstra	2.27%
Coles	2.11%
Transurban	1.96%
Goodman	1.93%
NAB	1.50%
Charter Hall Long WALE	1.32%
Charter Hall Social Infra.	1.30%
Aena SME	1.28%

## Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	30.31%	35%	0-70%
Australian Fixed Interest	22.89%	20%	0-70%
Australian Equities	20.29%	20%	10-50%
Listed Property	11.18%	15%	0-30%
International Equities	12.92%	5%	0-40%
Cash and Other #	2.41%	5%	0-60%

# 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	2.20%
Westpac Float 2029	1.63%
CBA Float 2030	1.62%
HSBC Float 2024	1.60%
JPMorgan 1.09% 2027	1.33%
Mirvac Group 3.625% 2027	1.32%
Vicinity 1.125% 2029	1.32%
NAB Float 2030	1.06%
Coles 2.2% 2026	1.01%
AusNet Float 2080	1.00%

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.