

Diversified Income Fund

Portfolio Investment Entity

Monthly Fact Sheet as at 31 May 2021



Portfolio Managers



Paul Morris
Portfolio Manager



Dan Simmonds
Co-Portfolio Manager

Performance was somewhat mixed across the Fund's holdings in May but nonetheless resulted in a return of 0.7% over the month. The bond markets to which the Fund is exposed experienced contrasting fortunes. Global and Australian investment grade rated (lower risk) bonds generally delivered positive returns, but many New Zealand bonds were weaker after the Reserve Bank of New Zealand indicated it may increase interest rates next year. There was also some weakness across the Fund's lower rated bonds, including in its exposure to US bank preference shares and subordinated bonds of European companies.

While performance across share markets was varied, overall the Fund's holdings contributed positively. This included notable contributions from Contact Energy (still the Fund's largest exposure; +4.5%) which continues to outperform other NZ electricity companies, CNH Industrial (European agricultural equipment; +15.6%) and Australian bankshares.

We also took profit on some of the holding we had recently built in CSL Ltd (Australian human plasma company; +7.0%) after strong share price gains as the company benefits from the US reopening through improved plasma collections.

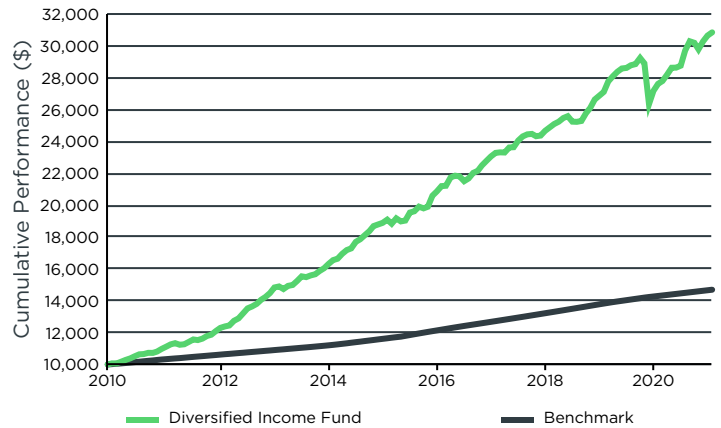
Transactions in the bond portfolio included (i) taking profit on AT&T preference shares after the company announced debt reduction plans post the sale of its media business and (ii) buying Deutsche Bank's subordinated bonds which outperformed peer securities in the month.

Looking forward, we remain reasonably optimistic for Fund returns even with a base case anticipating a gradual (but potentially more limited in the near term) move higher in market interest rates weighing on bond returns. Ongoing supportive central bank and government policy combined with reopening economies provides a supportive backdrop for shares, even with higher valuations. Nonetheless, over the month we marginally increased cash holdings, reducing bonds and shares, aiming to buy back at cheaper levels. We also retained strategies to help reduce the negative impact on the Fund from the aforementioned potential headwind of higher interest rates (specifically, having sold interest rate futures).

To view Milford's June 2021 Market and Economic Review please see milfordasset.com/fact-sheet

Cumulative Fund Performance

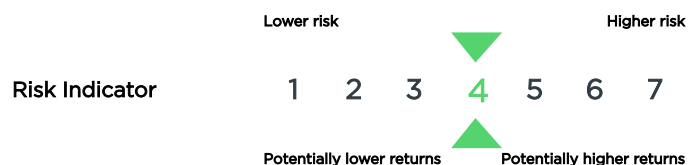
(after fees and before tax)



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) | \$2,619.1 M |
| Yield² | 2.58% |
| Average Credit Rating | BBB |
| Duration | 0.55 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) |



Diversified Income Fund as at 31 May 2021

Investment Performance after fees as at 31 May 2021⁵

Unit Price: \$1.8751

| | 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) | 0.66% | 3.57% | 11.71% | 7.42% | 7.79% | 10.61% |
| After Tax 10.50% | 0.64% | 3.50% | 11.11% | 6.92% | 7.20% | 9.89% |
| After Tax 17.50% | 0.63% | 3.46% | 10.72% | 6.59% | 6.81% | 9.41% |
| After Tax 28.00% | 0.61% | 3.40% | 10.13% | 6.10% | 6.22% | 8.71% |
| Benchmark | 0.23% | 0.68% | 2.75% | 3.47% | 3.81% | 3.51% |

Top Equity Holdings

| Holdings | % of Fund |
|----------------|-----------|
| Contact Energy | 2.78% |
| Spark | 2.05% |
| Telstra | 1.85% |
| Meridian | 1.68% |
| NAB | 1.66% |
| Transurban | 1.25% |
| Goodman | 1.25% |
| Woolworths | 1.17% |
| Getlink | 0.89% |
| Atlas Arteria | 0.87% |

Current Asset Allocation

| | Actual Investment Mix | Neutral Investment Mix |
|------------------------------|-----------------------|------------------------|
| Effective Cash # | 10.67% | 5.00% |
| New Zealand Fixed Interest | 8.37% | 10.00% |
| International Fixed Interest | 40.32% | 45.00% |
| New Zealand Equities | 11.23% | 6.50% |
| Australian Equities | 11.99% | 10.00% |
| International Equities | 7.60% | 5.00% |
| Listed Property | 8.68% | 18.50% |
| Other | 1.14% | 0% |

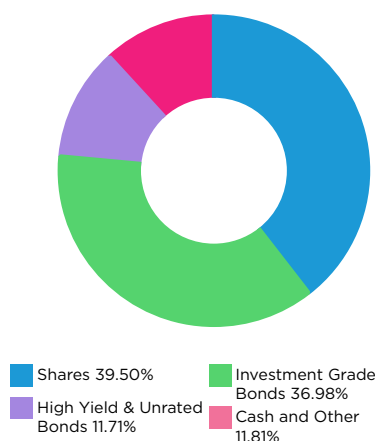
The actual cash held by the Fund is 8.61%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Top Fixed Interest Holdings

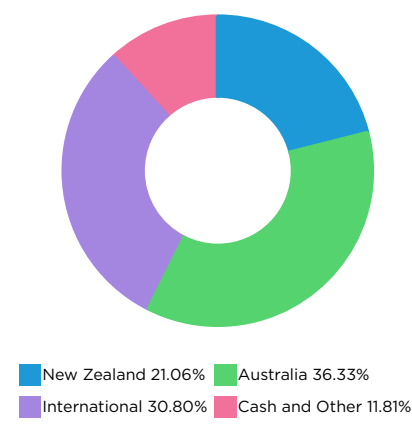
| Holdings | % of Fund |
|----------------------------|-----------|
| Scentre Group 5.125% 2080 | 1.79% |
| Mirvac Group 3.625% 2027 | 0.80% |
| ASB Bank 5.25% 2026 | 0.79% |
| Aventus Float 2025 | 0.75% |
| Westpac 4.695% 2026 | 0.70% |
| AusNet Float 2080 | 0.64% |
| Victoria Power 1.603% 2026 | 0.61% |
| Ericsson 1% 2029 | 0.61% |
| Westpac 5% 2027 | 0.58% |
| NZLGFA 1.5% 2026 | 0.58% |

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.