

# Milford Diversified Income Fund (AU)

July 2021

## Portfolio Managers



**Paul Morris**  
Portfolio Manager



**Dan Simmonds**  
Co-Portfolio Manager

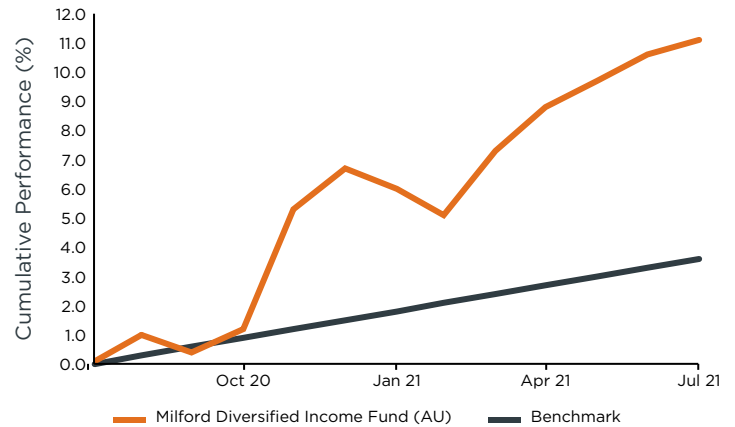
The Fund returned 0.5% in July. Performance was mixed across holdings as markets navigate a bumpy reopening and a likely transition towards less fiscal and monetary stimulus.

Market interest rates have surprised by falling further. The resulting higher bond prices contributed positively to returns but the Fund's benefit was diminished by (i) its reduced exposure to interest rates (as we feared rates would rise) and (ii) mild underperformance of some lower rated corporate bonds.

It was difficult to call out a clear trend across the Fund's shares. Company earnings have generally been strong although valuations are no longer cheap, however lower interest rates have helped. The Delta variant has been a headwind, notably for some Australian shares given lockdowns. Nevertheless, Australian property companies Goodman Group (+6.9%) and Charter Hall (+5.0%) were impressive exceptions. Other strong performers included US hospital HCA (+20.1%) after a strong result and the Fund's global water utilities (up over 10% benefitting from lower interest rates). The Fund had a small allocation to Sydney Airport which gained 34.9% after a takeover bid.

Looking forward, ongoing growth, historically low interest rates and excess cash liquidity support a reasonable outlook for returns, albeit short term volatility may increase. We continue to remain wary of bonds, retaining lower interest rate exposure given the risk of higher interest rates. We retain a higher allocation to shares than the long-term neutral. While we anticipate higher interest rates, our base case sees a lower eventual peak to this interest cycle which should support shares.

## Investment Performance to July 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 Jul</b>	\$1.0469
<b>NAV as at 31 Jul</b>	\$13.3 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>Running Yield</b>	2.95%
<b>Management Fee*</b>	0.70%
<b>Capped Expense Recovery*</b>	0.05%
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency**</b>	Monthly

\*Fees are stated exclusive of GST.

\*\*Current monthly estimated distribution 0.18 cents per unit.

## Investment Performance to July 2021\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception**
Milford Diversified Income Fund (AU)	0.46%	4.77%	-	-	-	11.24%
Benchmark	0.30%	1.77%	-	-	-	3.64%
Over/Underperformance	0.16%	3.00%	-	-	-	7.60%

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 03 August 2020.

## Top Equity Holdings

Holdings	% of Fund
Telstra	2.34%
Goodman	1.92%
NAB	1.66%
Contact Energy	1.66%
Transurban	1.46%
Westpac	1.40%
Spark	1.35%
Charter Hall	1.12%
Irongate	1.11%
Charter Hall Long WALE	1.08%

## Current Asset Allocation

	Actual	Neutral	Maximum Range
International Fixed Interest	30.75%	35%	0-70%
Australian Fixed Interest	20.87%	20%	0-70%
Australian Equities	15.28%	20%	0-50%
Listed Property	11.38%	15%	0-30%
International Equities	14.44%	5%	0-40%
Cash and Other #	7.28%	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%
CBA Float 2030	1.52%
Wesfarmers 1.941% 2028	1.51%
HSBC Float 2024	1.49%
Mirvac Group 3.625% 2027	1.40%
Downer Group 3.7% 2026	1.37%
Vicinity 1.125% 2029	1.26%
JPMorgan 1.09% 2027	1.25%
Ericsson 1% 2029	1.22%
Morgan Stanley 0.406% 2027	1.21%

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. David Lewis has stepped down and from 1 April 2021 Paul Morris has assumed the Portfolio Manager role. There have been no changes to the key service providers since the PDS was issued.